

High noon for two hard men  
Daniel Verghin, author of a new book on the politics of oil, argues that George Bush is tougher than Saddam Hussein wants to think



Living well on less  
How to enjoy the recession: cheaper skiing, fizz for under a tenner, pruning costs in the garden and bargain restaurants.  
Savings for savers  
Sara Webb looks at ways to pay less to save more



Dodging the draft  
Michael Thompson-Noel, a coward, fields a midnight phone call from the major  
Cut-price chic  
Lucia van der Post scours the racks for designer label cachet which costs a little less

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

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## WORLD NEWS

### Soviet pledge to Baltic over military fears

No army reinforcements will be sent to the troubled Baltic republics, a senior Soviet military chief pledged yesterday. The promise from Gen Mikhail Moiseyev, chief of the Soviet general staff, was aimed at allaying fears that some form of martial law could be imposed on the region to stop the republics' campaigns for independence.

Tension in the region rose this week after Interior Ministry troops were used to take control of a Communist Party printing plant in Latvia. Crusade for unity, Page 6

**Somali peace move**  
Somali president Mohamed Siad Barre, resisting rebel attempts to oust him, offered to hold peace talks with opposition groups and accept the outcome of negotiations. Earlier, armed men burst into Red Cross offices in Mogadishu, disrupting plans to evacuate foreigners from the battle-torn capital. Page 2

**UK braced for storms**  
Britain was braced for 24 hours of heavy rain and high winds. The storms were due to sweep eastward in a band from southern Scotland to North Wales and Lincolnshire. Weather, Page 22

**Wales's prime minister**  
Poland's parliament voted overwhelmingly to accept Jan Krzysztof Bielecki as prime minister. The 39-year-old economist was President Lech Walesa's nominee. Page 4

**Hostages 'a priority'**  
Lebanese premier Omar Karami said freeing the 12 western hostages in the country was a priority for his government.

**Miners turn back**  
Thousands of striking Turkish miners marching on Ankara to demand higher pay halted when prime minister Yildirim Akbulut said he wanted to resume wage talks. Earlier report, Page 4

**In London, three men were** remanded on bail charged with public order offences after clashes during a demonstration in sympathy with the general strike in Turkey.

**M-accident precaution**  
Austria is to distribute free tablets nationwide to prevent thyroid cancer in the event of a nuclear accident. Vienna decided the move was linked with safety fears about a Czechoslovakian atomic plant.

**Rushdie phone-in**  
A planned radio phone-in with Salman Rushdie, author of *The Satanic Verses*, is to go ahead despite warnings from a Muslim youth group that it would inflame feelings. Bradford City Radio in West Yorkshire and Sunrise Radio in London will broadcast the programme tomorrow morning.

**Animal feed criticised**  
Farmers should be banned from feeding their livestock protein from animal remains, said Professor Richard Lacey, one of the government's most outspoken food safety critics.

**Kaifu to visit China**  
Japanese prime minister Toshirō Kaifu is to visit China this year, signalling the full restoration of relations between the countries. Page 2

**No to western values**  
Singapore outlined five "shared values" aimed at boosting national identity and combating western influence. The government denied trying to foster Chinese Confucian values on a multi-racial society.

## BUSINESS SUMMARY

### UK softens line on EMF for hard Ecu

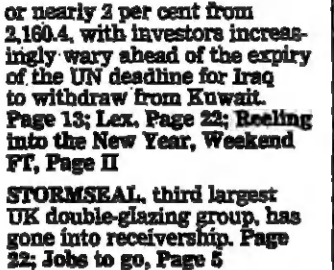
Britain may drop its proposal for a new institution to manage the hard Ecu, if it gets support from the rest of Europe on the scheme to introduce the currency over the next few years.

The possibility that Britain may abandon its insistence on a European Monetary Fund (EMF) to manage the hard Ecu comes as the UK Treasury prepares to issue on Tuesday new proposals on the hard Ecu which will provide a legal framework for creating the currency. Page 22

**NISSAN UK** is to start legal proceedings against Nissan Motor, Japan's second largest car maker, which announced last week that it had given NUK notice to terminate its concession as the sole importer and distributor of Nissan vehicles in the UK with effect from the end of 1991. Page 22

**LONDON EQUITIES** rallied on news of next week's proposed talks between the UK and Iraq's foreign minister. The FT-SE 100 index closed up 8.3 at 2,126.1. Since the end of the previous week, the Footsie has fallen by 41.5 points.

## FT-SE 100 Index



or nearly 2 per cent from 2,180.4, with investors increasingly wary ahead of the expiry of the UN deadline for Iraq to withdraw from Kuwait. Page 13; Lex, Page 22; Reading in the New Year, Weekend FT, Page 11

**STORMSEAL**, third largest UK double-glazing group, has gone into receivership. Page 22; Jobs to go, Page 5

**M & G Group**, largest UK unit trust fund manager, has urged companies in which it has a significant investment to maintain their dividends wherever possible. Page 22

**DAF**, Dutch commercial vehicle maker, announced an annual net loss of £115m (£46.2m) in the face of steep recession in the UK truck market. Page 10

**US unemployment** rose to 6.1 per cent in December, the highest level for three years. New orders for manufactured goods fell 5.9 per cent in November, the largest ever monthly decrease. Page 3

**AT & T**, a construction accident cut the US telephone company's fiber optic communications cable in New Jersey, forcing the Comex and Nymex exchanges to halt trading and disrupting long-distance telephone services.

**POWERGEN**, UK electricity generator due to be privatised next month, is pressing the industry's regulator for permission to compete for more industrial customers presently supplied by seven of the regional electricity companies.

**EXPORT CREDITS** Guarantee Department: Plans to privatise part of the UK department suffered a setback because of dwindling interest from clearing banks once seen as possible buyers. Page 5

## Baker and Aziz in first high level meeting since crisis started

# US and Iraq will hold 'last chance' talks in Geneva

By Peter Riddell, US Editor in Washington and David Buchan in Brussels

THE US and Iraq will hold talks in Geneva next Wednesday in what could be the last chance to avert a Gulf war before the UN deadline for Iraqi forces to withdraw from Kuwait on January 15.

The meeting between Mr James Baker, the US Secretary of State, and Mr Tariq Aziz, the Iraqi foreign minister, will be their first high level meeting since the Gulf crisis started five months ago.

Iraq's acceptance of talks with Washington was immediately welcomed by European foreign ministers meeting in Luxembourg, who invited Mr Aziz for talks on January 10, the day after the US-Iraqi meeting.

The EC ministers hinted strongly that an Iraqi withdrawal would be followed by intensified efforts to find a solution to the Palestinian question.

The Geneva talks are being presented in Washington as a last minute attempt to achieve a peaceful solution. They give Mr Baker a chance to regain the diplomatic initiative from the Europeans and to assure the American public that he is seeking all means of avoiding war.

## THE GULF CRISIS

- Iraq tells diplomats to prepare to leave Baghdad
- Western fears of terrorism sharpened
- UK minister rejects oil catastrophe theory
- Anti-Iraqi Arab front plans no initiatives
- Pressure for airline exclusion zone
- Bush to meet UN chief but officials still cautious
- Israel dismisses latest criticism from UN

Mr Bush plans to make a radio address to the American people about the Gulf on Saturday, when he will also meet Mr Javier Perez de Cuellar, the UN secretary general, to discuss the crisis.

Mr Aziz announced on Iraqi television yesterday that he would accept the US offer of talks "out of respect for world opinion" but stressed that Iraq was not bowing to US pressure.

Mr Aziz said that he would use the talks to stress Iraq's commitment to finding a solution to the Palestinian question.

AN Iraqi diplomat expelled from Britain suggested yesterday that western countries would be targets for terrorism if the multi-national forces in the Gulf attacked Iraq.

In a defiant statement at Heathrow airport, Mr Hassan, who was the Iraqi press counsellor in London, said: "I am sure that if there is any attack on Iraq, a lot of targets in countries in the west will be demolished."

Mr Hassan, one of 75 Iraqis ordered out of Britain this week, said that he had abided by the law but that Arabs and Moslems living in the west were bound to respond to a war against Iraq.

"What kind of targets, I don't know," he said. "But we do believe that Arabs here and in all western countries will launch something against so many targets if a war is launched against Iraq."

The British government, when it announced the expulsions on Thursday, said the Iraqis had to leave because of "public threats" - a reference to threats of terrorism by Iraq and by Baghdad-based Palestinian extremists.

A Foreign Office spokesman, asked about Mr Hassan's comments, said that they gave "additional justification" to the British decision.

The al-Thawra newspaper, official mouthpiece of the ruling Baath party in Iraq, said last week that western interests around the world would be targets for Iraqi retaliation if Iraq was attacked.

Abu Abbas, the Baghdad-based leader of the Palestine Liberation Front, has urged his supporters to attack Americans and their Arab allies.

Mr Anthony Beaumont-Dark, a Conservative MP, called yesterday for all Iraqis in Britain who are not political refugees to be repatriated. "We will have enough problems if Iraq breaks out without the police having to watch 5,000 Iraqis," he said.

Western fears, Page 2

## Expelled diplomat says western countries face terrorism threat

By Victor Mallet, Middle East Correspondent

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Western fears, Page 2

Sheep and goats, Page 5

## Clarke makes GCSE changes

By Norma Cohen, Education Correspondent

SWEEEPING changes to the national curriculum for 14- to 16-year-olds were announced yesterday by Mr Kenneth Clarke, education secretary.

In his first major policy address since his appointment in November, Mr Clarke said that requiring pupils to study all 10 subjects required by the Education Reform Act of 1988 was too restrictive.

The changes announced, affecting so-called key stage 4 of the curriculum, go further than the proposals earlier considered by Mr Clarke's predecessor, Mr John MacGregor.

Students will now be required to study only six subjects at age 14 although all 10 will still be taught to children aged five to 12.

Speaking at the North of England Conference in Leeds, Mr Clarke said: "I have inclined towards more flexibility and choice for these older pupils, their parents and teachers."

He said that among his chief aims in ordering a more flexible curriculum was a desire to leave more room for vocational study. Under his proposals, students will be required to take only mathematics, science and English to GCSE examination level.

Modern languages and technology will still be required of all students but may be taken in an abbreviated form leading to a secondary level exam. Students may combine the study of these subjects with another, such as French and business studies or technology with art.

Students will be required either to study history or geography to GCSE level, but not both, or they may take a short course in each of the two subjects. Art and music will become optional subjects while the requirement for physical education study will be interpreted "flexibly".

Education groups across the political spectrum have been clamorous for a more flexible curriculum.

Sheep and goats, Page 5

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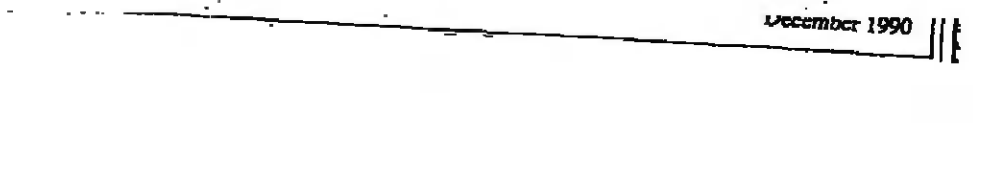
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## MARKETS

<b>STERLING</b> New York lunchtime: \$1.338 London: \$1.3385 (1.9465) DM12.9125 (2.905) FF9.88 (9.8675) SF21.465 (2.485) Y261.25 (259.0) £ Index 94.2 (94.1)	<b>DOLLAR</b> New York lunchtime: DM1.5045 London: SF1.273 Y124.55 DM1.508 (1.4925) FF6.11 (5.07) SF1.2705 (1.2665) Y125.1 (133.0) £ Index 91.1 (90.9) Tokyo close: 133.32 Tokyo: Nikkei 24,068.19 (+220.47)	<b>STOCK INDICES</b> FT-SE 100: 2,126.1 (+8.3) FT Ordinary: 1,699.5 (+11.0) FT-A All-Share: 1,023.21 (+0.3%) New York lunchtime: DJ Ind. Av. 2,582.43 (+8.92) S&P Comp 322.12 (+0.21) Tokyo: Nikkei 24,068.19 (+220.47)
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<b>LONDON MONEY</b> 3-month bill: 13.22% (14-13.33) Life long gilt future: Mar 90 90 (90.33)	<b>RATES</b> Fed Funds 6.5% 3-mo Treasury Bill: 5.89% Long Bond: 106.2 yield: 8.16%
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<b>COMMODITIES</b> Soybean: 13.22% (14-13.33) Wheat: 106.2 yield: 8.16%	<b>APPOINTMENTS</b> 13 Letters: 7 11 Let: 22 7 London Options: 9 11 Managed Funds: 11,14-17 13 Money Markets: 11 8 Recent Issues: 8 9 Share Information: 19-21 9 Stock Markets: 13 19 London: 13 11 Wall Street: 18,19 10 Bourses: 18,19 10 SE Dealers: 12 24 UK News: 4,5 5 Weather: 22
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<b>SOVIET UNION</b> Crusade to keep a country together	<b>EDITORIAL COMMENT</b> Mr Major's challenge	<b>WOMAN IN THE NEWS</b> Alison Halford	<b>BANKING CRISIS IN RHODE ISLAND</b> Sharp shock for Little Rhody	<b>BRITISH TELEVISION LISTINGS</b> The allure of a lucrative market
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Chief price changes yesterday: Page 22

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Austria: Sch90, Bahrain: Dm1.300; Bermuda: \$1.50; Belgium: BF60; Canada: C\$1.00; Cyprus: C\$1.00; Denmark: Dm1.30; Egypt: E£3.50; Finland: Fm1.50; France: FF7.50; Germany: DM1.50; Greece: Dr100; Hong Kong: HK\$1.00; Hungary: Ft100; India: Rupee1.00; Indonesia: Rp1.00; Ireland: Ir£1.00; Israel: Sh1.00; Italy: L100; Japan: ¥100; Jordan: JD1.00; Korea: Won100; Kuwait: Kd1.00; Lebanon: L£1.00; Luxembourg: LFr100; Malaysia: M\$1.00; Malta: M£1.00; Mexico: P\$1.00; Monaco: M£1.00; Netherlands: F1.00; Norway: Nkr1.00; Oman: OMR1.00; Pakistan: Rs100; Philippines: P100; Poland: Zl100; Portugal: Esc100; Qatar: QR100; Saudi Arabia: SR1.00; Singapore: S\$1.00; Spain: Ptas100; Sri Lanka: Rupee100; Sweden: SKr1.00; Switzerland: SF2.00; Taiwan: NT\$100; Thailand: Bt100; Tunisia: Dm1.00; Turkey: L100; UAE: Dirh100; USA: \$1.00

مكذرات الأخبار



## INTERNATIONAL NEWS

## Iraq sharpens western fears of wave of Arab terrorism

By Emma Tucker, Neil Buckley and Victor Mallet

THE DEFIANT comments yesterday by an Iraqi diplomat expelled from Britain will have served to underline western fears about a new wave of Arab terrorism as a result of the Gulf crisis.

When Mr Naeef Hassan declared at Heathrow airport that targets in the west would be demolished if Iraq was attacked, he was doing no more than echoing the recent threats of Palestinian terrorist groups and the Iraqi state media.

Mr Hassan, an Iraqi press counsellor, was ordered out of Britain this week along with 74 of his compatriots because of what the Foreign Office in London called Iraq's "public threats".

Even before the Gulf crisis - interpreted by Iraq's supporters as a confrontation between the Arabs and the arrogant west - Palestinian extremists had been gravitating towards Baghdad following the collapse of the east European governments which once harboured them.

The most vocal such Palestinian since President Saddam Hussein sent his troops into Kuwait in August has been Abu Abbas, the leader of the Palestine Liberation Front. He called on his supporters to "open fire on the American enemy everywhere".

Opinion is divided, however, on the seriousness of the international terrorist threat. Some diplomats and analysts suggest that gunmen could be easily dispatched to the west and "sleeping" terrorists around the world quickly activated; others believe it would be difficult for Mr Saddam to organise effective terrorist action even if he wanted to.

Mr Paul Wilkinson, professor of international relations at the University of St Andrews, said yesterday that Baghdad's terrorist threats were very real.

"Saddam Hussein has a track record of using terrorism against domestic and external foes," he said. "Terrorism is low risk and low cost, but has a high yield in terms of publicity and would help to compensate for some of Iraq's military weaknesses."

However, Mr David Capitanchik, senior lecturer in politics at Aberdeen university, described the danger of terrorism it would be focused on Israeli targets because that could be justified in terms of the Palestinian struggle, he said.

Western intelligence agencies - and Israel's - will be watching several possible sources of terrorism as the Gulf crisis develops.

● Iraq's own secret services. They have been accused of terrorist activities in Britain in the past. Some Iraqi agents would have diplomatic cover.

● Radical client groups under the control of Baghdad such as the Abu Nidal group. Mr Wilkinson said several activists connected to Abu Nidal and other Iraqi-sponsored organisations are believed to have visited Iraq for training and intelligence briefings since August, before returning to their cell structures across western Europe and the Middle East.

● Maverick groups or individuals carrying out terrorist acts in support of what Mr Saddam calls his holy war.

● Iraqi students. Permission to leave Iraq often hinges on the applicant's perceived loyalty to the regime, which means that the student community provides a pool of potential agents.

There has been Foreign Office concern for over a year about the activities of Iraqi and other foreign students in Britain, but this has focused more on their studies.

A Foreign Office official yesterday confirmed a letter was sent last June by Mr Peter Davies, director of the arms control and disarmament department, to companies and the science departments of some British universities warning them to scrutinise carefully applications from students from unspecified Middle East and North African countries.

This followed general discussions in the Australia group of western countries - which seeks to harmonise chemical export restrictions - about the possibility of giving inadvertent help to such countries in obtaining technology and expertise that could have military applications.

The official said: "We were asking them to increase their awareness of the potential problems. We wanted them to make sure they were happy with the students they were teaching." Particular concern was expressed about students and researchers dealing with bacteriology and toxins.

The UK Council for Overseas Student Affairs estimates that there are around 1,000 Iraqi students studying in Britain. But the council emphasises that "these are very rough figures".

Most of these are studying at universities, with the majority on postgraduate courses. The overwhelming majority are studying science subjects, such as chemistry, physics, biochemistry, engineering, polymer science and chemical engineering. Some are studying nuclear engineering.



Facing expulsion: Iraqi diplomat Saif al-Mutairi in London

## Bush to meet UN chief but officials still cautious

By Peter Riddell, US Editor in Washington

PRESIDENT George Bush will meet Mr Javier Pérez de Cuellar, the United Nations secretary-general, later today to discuss the Gulf crisis as senior US officials remained cautious about the chances of a diplomatic breakthrough.

Mr James Baker, the US secretary of state, said late on Thursday that he was "not as optimistic now about the possibility of a settlement with Iraq as I was before Christmas". Mr Baker, who leaves for the Middle East and Europe tomorrow, was speaking before yesterday's announcement from Baghdad that Mr Tariq Aziz, the Iraqi foreign minister, will meet Mr Baker in Geneva next Wednesday.

Although the White House and the State Department welcomed Iraq's acceptance of the talks, US officials have been at pains to play down expectations of a peaceful solution emerging from the Baker-Aziz meeting.

Instead, the encounter has been presented as the last chance for the US to tell Iraq directly that it must withdraw from Kuwait. The US initiative is being seen in Washington as a way for Mr Bush to regain the initiative, both internationally, in view of new European diplomatic moves, and domestically, to reassure the American public that he is "going the extra mile for peace".

The White House said yesterday that today's meeting between Mr Bush and Mr Pérez de Cuellar was "simply to share all knowledge" and was not intended to produce any new initiatives or missions.

Mr Bush also plans to deliver a six-minute radio address on the crisis later today.

The main congressional watchdog yesterday warned that the cost of military operations in the Gulf would all but wipe out the savings proposed for fiscal 1991 in last autumn's budget package.

Mr Charles Bowsher, the comptroller general, said that, before allowing for a shooting war, the extra cost of maintaining 450,000 troops would be an estimated \$30bn (\$15.5bn) or more in 1991, compared with a deficit reduction for the year of \$30bn in the budget package.

Meanwhile, there was continued disagreement in Congress about when and how to consider the president's handling of the Gulf crisis. The Democratic leadership has refused to give Mr Bush immediate unconditional backing for military action and prefers to delay a debate, and any vote, until after the end of Mr Baker's mission next week.

But a number of Democratic senators, including Mr Tom Harkin from Iowa, Mr Brock Adams from Washington, and Mr Quentin Burdick from North Dakota, have urged immediate debate on a resolution saying no military attack should be launched without congressional approval.

The White House argues it would be better to have no debate than to have a prolonged, divisive discussion

## Diplomats told to get ready to leave Baghdad

By Mark Nicholson

IRAQ has told foreign diplomats in Baghdad to prepare to move their missions out of the capital, in an apparent preparation for war.

Diplomats in Baghdad said that Iraq's foreign ministry yesterday advised all missions in the city that they should move to temporary facilities at Ramadi, a small town 65 miles west of the capital. No date was set for such a move.

The heads of Baghdad's 71 diplomatic missions plan to meet on January 10 or 11 to discuss the plan. But no embassy has yet made plans to leave.

British officials said yesterday that they had no immediate plans to act on the Iraqi advice. "If the order is to be out of the city, then we'll leave, but for the moment the Iraqis have simply raised the issue," a foreign office spokesman said.

Most embassies have only skeleton staffs remaining in Baghdad and Britain earlier this week trimmed its embassy staff in the Iraqi capital to 6

from 24. The Foreign Office justified the cuts by saying that the release of British hostages from Iraq had reduced the embassy's workload.

However, the move was widely seen as a precautionary move in case of war as the United Nations deadline for Iraq to withdraw from Kuwait approached.

US officials in Baghdad disclosed earlier this week that they have contingency plans to evacuate the capital in the event of conflict.

The official Iraqi news agency, meanwhile, yesterday denied reports that the government planned to move ministries and public departments out of Baghdad.

In a commentary which echoed the defiant tone of most recent official Iraqi statements, the news agency called such reports "fabricated and ridiculous". "Baghdad is the capital of steadfastness and victory and will remain so," the statement said.

## UK minister rejects oil catastrophe theory

By John Hunt, Environment Correspondent

CLAIMS BY a group of scientists that a Gulf war and the burning of the Kuwaiti oilfields would result in an unprecedented environmental catastrophe were rejected yesterday by Mr John Wakeham, the UK Energy Secretary, as "entirely misplaced".

He said that the oil burned would represent only a few per cent of world oil production and the impact on global warming - the greenhouse effect - would be negligible.

There is no way in which Kuwait's huge reserves underground could be ignited, he said.

However, he conceded that it could take more than six months to put the oil wells out if they were ignited.

He was replying to claims made at a symposium held in London on Wednesday on the

environmental impact of a Gulf war. At the symposium Mr John Cox, a chemical engineer and oil consultant, said that if Iraq ignited Kuwait's 1,000 oil wells the fires could last a year and cause serious regional climate changes.

Dr Abdullah Toukan, chief scientific adviser to King Hussein of Jordan, said between 10m and 100m barrels of oil would be burned causing a "nuclear winter".

But Mr Wakeham, giving the first response from the British government, said that such "hypothetical scenarios" arising from an inferno in the Kuwaiti oilfields were misplaced.

"I know of no reason why the Iraqis should attempt to sabotage the oil wells in this way since they stand to gain no advantage from it," he said.



A Luftwaffe jet is inspected in Germany before being flown to Turkey in a Nato deployment because of the Gulf crisis

## Pressure for airline exclusion zone

By Paul Betts and Paul Abrahams

PRESSURE is building on the International Civil Aviation Organisation (ICAO), the aviation technical agency of the United Nations, to impose some kind of exclusion zone for air services flying over Middle East regions likely to be affected by an outbreak of war.

This comes as a growing number of international airlines suspend operations to the Middle East.

War risk insurance rates, which have increased sharply during the past few days for aircraft flying to Gulf destinations, are also likely to rise further as the January 15 UN deadline for Iraq to pull out of

Kuwait approaches. The International Air Transport Association (IATA), the aviation body, has already set up a task force to lay contingency plans to enable ICAO to impose a war exclusion zone.

This would clearly have huge financial and operational consequences for international airline operations, with carriers being forced to fly further north across the Soviet Union or further south over the southern Indian Ocean.

These routes are expected to become heavily congested because of the lack of sufficient aircraft navigational facilities in these regions. Airlines and international aviation officials are also increasingly concerned by Iraq's latest threats to launch terrorist attacks in the west. Officials reluctantly acknowledge that aviation is clearly a frontline target.

Airlines are understood to have taken measures already to increase security. One international airline official said yesterday: "Airlines have to take that kind of threat seriously and take measures accordingly."

South African Airways and the Hong Kong-based Cathay Pacific yesterday became the latest airlines to cancel Middle East flights. SAA, which has

cancelled its twice-weekly flights from Johannesburg to Tel Aviv, blamed the worsening political situation and increased cost of insurance. Earlier this week Pan Am, the US carrier, announced it was suspending flights to Israel and Bahrain following a 1,000 per cent increase in insurance premiums.

Cathay Pacific has halted daily flights from London to Bahrain. The airline said it was concerned about the safety of its passengers, crew and equipment. It is rerouting its services to Hong Kong via Helsinki and is also increasing the number of non-stop flights.

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## Anti-Iraqi Arab front plans no new initiatives

FOREIGN ministers of the three leading Arab states confronting Iraq convened in Jeddah yesterday for the fourth round of talks since the Gulf crisis erupted, as Iraq agreed to talks with the US in Switzerland, Tony Walker reports from Cairo.

Dr Esmat Abdel Meguid, Egypt's foreign minister, said before going to Jeddah that consultations with his Saudi and Syrian counterparts had proved "effective and important on exchanging information and co-ordination on current issues."

But Egyptian officials said no new initiatives were being discussed. Arab rulers such as President Mubarak of Egypt have fallen back on increasingly insistent personal pleas to President Saddam Hussein to withdraw from Kuwait.

Dr Meguid said he would brief the Saudis on the summit hosted this week by Libya's Colonel Muammar Gaddafi and attended by Egypt, Syria and Sudan. President Mubarak said the summit was "an attempt to find a peaceful solution to the Gulf crisis and to save the interests of war and destruction."

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## Saudi-Soviet relations blossom as old foes show new warmth

Moscow and Riyadh find there are benefits in getting together again after years of estrangement, writes Tony Walker

A BRIEF item clustered across the international news wires on September 17 last year: Saudi Arabia and the Soviet Union had agreed to resume active relations after an estrangement lasting more than 50 years.

The announcement caused barely a ripple since it had been long expected, and in any case the Gulf crisis was dominating the headlines.

But the revival of relations - ties were never formally severed - between the wealthiest Arab state and Moscow may prove one of the more significant of recent regional developments.

The key-off for a Soviet Union desperate for almost any form of assistance was not long in coming. In

November, oil-rich Gulf states led by Saudi Arabia offered the Soviets loans and emergency aid up to \$4bn to help overcome economic difficulties.

Moscow, in turn, gave crucial backing to the United Nations Security Council resolution setting the January 15 deadline for Iraq's withdrawal from Kuwait. Both sides expressed satisfaction at business concluded.

A Saudi foreign ministry official said that while the Gulf crisis had sped resumption of relations, the decision to revive the relationship had been made "a long time ago."

"This is not the Soviet Union that once sought to encircle Saudi Arabia and which had ambitions to take

over its oilfields," he said. "This is not the Soviet Union that supported regimes hostile to Saudi Arabia."

Most important, the official noted, Moscow's policy of religious tolerance made it possible for Saudi Arabia to strengthen its ties with the Soviet Union's 40m Muslims.

When relations resumed Mr Abdul Wahab Abdul Wasil, Saudi minister of pilgrimage and endowments, was in the Soviet Union's Asian republics. He also had talks in Moscow on smoothing the way for Soviet Muslims to visit Saudi Arabia for the hajj or pilgrimage. Previously, only a handful of Soviet citizens were allowed to make the journey.

King Fahd's gift of 1m copies of the Koran to Soviet Muslims was

another sign of the new warmth in relations. The gesture followed a series of high level contacts that included the visit to Moscow in 1987 by Saudi oil minister, Prince Sultan bin Abdul Aziz, and in 1988 by Prince Saud al-Faisal, the foreign minister.

Soviet officials have also been fairly frequent visitors to the kingdom in recent years, among them Vladimir Polynakov, head of the foreign ministry's Middle East department. The visit in October of Mr Konstantin Katushev, foreign economic relations minister, shows Moscow's interest in securing financial support and investment. Trade is negligible.

Mr Katushev invited Saudi businessmen to invest in the Soviet Union as it moved from "central organisation to market economy."

The Soviet official was not rushed with offers, but Saudi seems interested in co-operating in oil policy.

Saudi Arabia, the biggest oil exporter, sees closer co-ordination with the Soviet Union, the world's biggest producer, as a mutually profitable aim. An official said: "It's in our interests to help the Soviets stabilise the oil market, increase their domestic economic situation and the reform process."

Saudi Aramco has been holding talks with the Soviets on the export of oil technology and it is expected that these contacts will deepen, now

that ties have been revived. The Saudis believe they have much to offer the Soviet Union in the technical field.

From the Soviet standpoint, reviving relations will help reinforce Moscow's claims to a regional role in discussions on new security arrangements that are certain to follow the Gulf crisis. Moscow's involvement in the search for a solution to the Arab-Israeli dispute will also be enhanced.

These are useful prizes for a Soviet Union whose ability to project its power and influence regionally in competition with the US has waned under Mr Gorbachev's policy of winding down Moscow's support for militant Middle East regimes.

## Besieged Somali president increases offer

THE SOMALI president, Mr Mohamed Siad Barre, fighting rebels bent on ending his 21-year rule, said yesterday that he was ready for peace talks with all opposition groups and would accept whatever the outcome of negotiations, agencies report from Nairobi.

State-run Radio Mogadishu quoted Mr Barre, who has been in power since a 1969 coup, as calling on Egypt and Italy to act as observers in talks. "He said whatever the outcome of peace negotiations, the government will abide by it," said the radio.

There was no immediate response to the offer. Earlier in

the day attempts to evacuate foreigners from Mogadishu were set back when gunmen invaded the Red Cross office in the capital and apparently took its staff hostage.

In Geneva, the International Committee for the Red Cross said it did not know who staged the attack - Somali government troops, rebels or renegade bandits.

A spokeswoman said an ICRC delegate in Mogadishu was talking to the humanitarian agency's Geneva headquarters by radiotelephone when he was forced to break off the conversation.

The ICRC delegate reported that "armed elements" had entered the building. "I have a gun against my head so I can't talk any more," the spokeswoman quoted him as saying.

The spokeswoman said there had been no further contact with the 10-person delegation in Mogadishu since the incident.

Mr Pierre Gassmann, the ICRC's chief delegate for Africa, appealed to all warring parties to allow the neutral all-Swiss agency to help the many wounded in six days of fighting.

The rebel United Somali Congress has demanded that the ICRC oversee any evacuation of an estimated 500 foreigners from the capital, saying the use of military aircraft or ships by Italy, the United States or other Western nations would be taken as an unwarranted intervention.

The rebels said yesterday they would accept a temporary halt to the fighting to allow for the evacuation, but that they would like two days' notice before the rescue begins.

However, Mr Abdurrahman Mohamed, a rebel spokesman in Rome, said the rebels would not negotiate with Mr Barre and were preparing a heavy assault on his remaining strongholds.

## Kaifu to visit China this year

By Robert Thomson in Tokyo

MR Toshiki Kaifu, the Japanese prime minister, has announced that he plans to visit China this year, signalling the full restoration of relations between the two countries.

Japan suspended high-level contacts after the crushing of China's pro-democracy movement in June 1989, but the government is confident that improved ties between Peking and Washington have opened the way for Mr Kaifu's visit, which would come in May.

Meanwhile Mr Ryutaro Hashimoto, Japan's finance minister, confirmed yesterday

that he will visit Peking next Tuesday to brief Chinese leaders before a gathering of finance ministers from the Group of Seven industrialised nations, expected to be held in New York later this month.

Japanese officials hope that their policy of consulting officials in Peking before such international meetings, and their readiness to act as a messenger for China, will improve a relationship still haunted by Japan's wartime brutality.

Mr Hashimoto expects to meet Premier Li Peng and Wang Bingqian, the finance

minister, and has indicated to his Peking hosts that he will encourage the G7 to allow China to return to full membership of the international community.

Last July at the Houston summit of leading industrialised nations, Japan proposed the lifting of all economic sanctions imposed on China, but only received approval for the unfreezing of its own \$160m soft loan programme.

Since then, two loan agreements have been announced, and investment by Japanese companies in China has risen sharply.

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## INTERNATIONAL NEWS

## White House takes some comfort from economic figures

By Michael Prowse in Washington

THE US unemployment rate rose to 6.1 per cent in December, the highest level for three years. Separate figures showed that new orders for manufactured goods plunged 5.9 per cent in November, the largest ever monthly decrease.

Mr Martin Fitzwater, the White House spokesman, said the latest rise in unemployment was "troubling" and reiterated the administration's wish for a drop in interest rates.

The figures confirm that the US economy is in the throes of recession but were not without some comfort for the White House, which still maintains the downturn will be mild and short-lived. The jobs data, which provide one of the first comprehensive indications of economic conditions in December, were relatively encouraging.

After seasonal adjustment, non-farm employment fell by 76,000, pushing the unemployment rate from 5.9 per cent to 6.1 per cent.

But the fall in employment was modest compared with analysts' expectations of a decline of about 150,000 jobs. It also marked a sharp slowing in the rate of job losses from October and November, when non-farm employment fell by 180,000 and 259,000 respectively.

Bond prices fell sharply on Wall Street following the employment report on expectations that evidence of a slower rate of economic contraction in December would make the Federal Reserve, the US central bank, less likely to sanction further quick cuts in interest rates.

The report on manufacturers' orders confirmed previous signs that November was a month of corporate retrenchment. Total new orders fell by \$14.7bn (£7.6bn) to \$235.4bn, but most of the weakness was concentrated in the durable goods sector where orders plunged by 10.7 per cent to \$115.6bn. The largest decrease was in transport equipment, which fell 27.6 per cent.

Both the administration and congressional leaders agree on maintaining the basic Federal deposit insurance of up to \$100,000 (£51,813) and on limiting coverage beyond that amount. But congressional leaders are reluctant to go as far as the administration in changes to the overall regulatory framework.

The White House plan will seek to end current controls which prevent the creation of diversified bank holding companies with a nationwide branch network and under the same corporate umbrella as securities and investment houses. Any changes will be linked to a strengthening of banks' capital requirements to avoid a repetition of the savings and loan collapse and will also impose clear limits between banking and non-banking activities so that insured deposits are not used to finance securities operations.

Such changes have been blocked in past years through the opposition of small banks and insurance and property interests fearful of a competitive challenge from national banks and financial service groups.

The Democratic chairman of both the Senate and the House banking committees have both indicated their priority is reforming deposit insurance, rather than more far-reaching changes in banking structure.

Two congressmen, Mr Henry Gonzalez, chairman of the House banking committee, and Mr Chalmers Wylie, its senior Republican, have separately produced plans continuing insurance coverage up to \$100,000, though limiting the number of accounts that could be protected. The administration's plan is similarly expected to bar large institutions from breaching down their funds into accounts of less than \$100,000.

Mr Gonzalez has said deposit insurance "should be opposed solely for its real purpose: the protection of ordinary depositors - not a guarantor, as it is today of 99.5 per cent of all deposits". He has also proposed that deposit premiums should be imposed on deposits in US banks' foreign branches, which are currently exempt.

Both the Gonzalez and Wylie proposals would consolidate the supervisory functions of the present five regulatory agencies responsible for banks. The administration plan would consolidate regulatory authority over most banks under the Treasury's comptroller of the currency, with the Federal Reserve retaining its oversight of the largest banks with international interests.

El Salvador peace talks set to resume in Mexico City

By Tim Coone in Managua

PEACE talks aimed at ending El Salvador's 11-year civil war are expected to be renewed in Mexico this weekend, after weeks of "intense negotiations", according to diplomats based in Mexico City.

The talks will take place between representatives of President Alfredo Cristiani's right-wing government and the left-wing Faribundo Marti (FMLN) guerrillas.

The latest series of peace talks broke down last September over the thorny issue of army reform. The army and the government insisted on an end to the war and the guerrillas' demobilisation before embarking on any reforms, while the FMLN argued that such a proposal offered their troops no guarantee of safety.

In November, the FMLN then began a new "mini-offensive" and for the first time used Soviet-built surface-to-air missiles (SAMs) against jets and helicopters of the air force.

One of the missiles that shot down an A-37 jet, was then traced to a lot of SAMs supplied to Nicaragua by the Soviet Union in 1986. This has created a scandal in Nicaragua, resulting in the arrest this week of four army officers.

For many years the El Salvadoran and US governments have pinpointed Nicaragua as the source of many of the FMLN's weapons, but have until now been unable to present convincing proof. Soviet co-operation in tracing the serial number of one of the SAMs used by the FMLN was apparently crucial in identifying the trail which led to one of the arrested men, ex-Major Odell Ortega.

## Rio seeks to redeem reputation in world commerce

Brazil's crime-ridden resort has ambitions to become a significant trade centre, Christina Lamb writes

THINK of Rio and think of Carnival, Copacabana beach, bossa nova, and probably crime and street children. But Rio as an international trade centre, a world conference location? Unlikely.

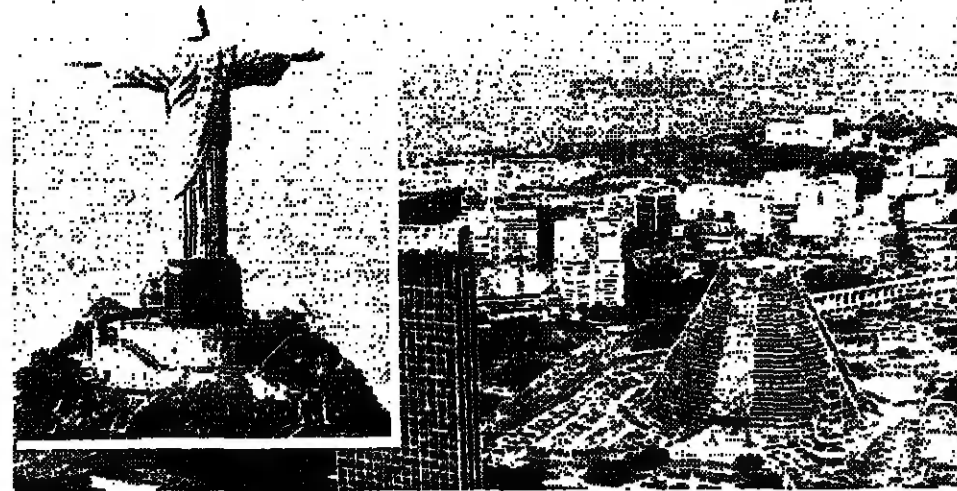
One might also think of the towering figure of Christ the Redeemer above the city from Brazil's most famous postcard view. Last month after eight months encased in scaffolding the statue emerged to be welcomed by fireworks and a message from the Pope.

This repair, financed by Shell and TV Globo, Brazil's largest television station, inspired a group of Rio businessmen to launch Riomania, a movement to arrest Rio's social and economic decline and attract investment back into the city which was once Brazil's financial and political centre.

Exposed to scorching sun and winds up to 150kph, the 30m statue had been cracking apart for years. But it took a finger weighing 10kg dropping off the 1,200 tonne figure, just missing a tourist, before the first repairs in its 59 years of existence were agreed. Once work began it was found that more than a fifth of the figure's surface had decayed.

The proponents of Riomania say the same is true of their city. Like the statue, superficially Rio retains awe-inspiring beauty. But within its streets the decay is alarming. While most people when they think of Brazil still think of Rio, today it is a different kind of symbol - that of Brazil's huge disparity between rich and poor, encapsulated by Rio's favelas, or shanty towns, clinging to its hillsides, in which a third of the city's 6m population live.

Recently named the fourth most dangerous city in the world by the Population Crisis Committee in Washington,



The restoration of Christ the Redeemer inspired local business to pursue economic salvation

with 36.6 murders per thousand inhabitants, one in three Rio residents has been the victim of crime. Half a million children scrape a living on its streets and dead children on the roadside are so common that one soon drives past the small bundles unthinkingly.

The Riomania movement conceived in January by Mr Paulo Protasio, head of the Chamber of Commerce, aims to transform this image. Backed by both foreign and local companies, he wants to turn the seaside resort into an international trade and financial centre as well as a convention location and freepoint. His five-year plan encompasses everything from ambitious schemes for economic development and overhaul of flagging energy and communications facilities to a training fund to help ease the problem of street children.

It is a hard task. When the police chief comes on TV to warn people not to stop at red traffic lights because of the gangs of thieves operating, it is not a great boon for a city trying to attract investment and

tourism. When the military police issues leaflets warning residents never to shop alone and to answer the door only to people who knock in code, the majority of companies would think twice about locating there.

Almost all foreign and national banks and multinationals have already moved headquarters from Rio to São Paulo, Brazil's biggest city. Rio stock exchange which 10 years ago represented 65 per cent of Brazil's volume of trading now has only 28 per cent and faces closure. The number of tourists dropped from 762,000 in 1988 to 489,000 last year.

Mr Protasio's immediate target for the clean-up of Brazil's second city is the UN world environment conference Rio will host in 1992 to which many heads of state are expected. The conference which he describes as "the carrot for the horse" should be a big boost for the authorities but in the present climate of weekly kidnappings, almost daily executions and hourly muggings, is regarded unofficially as "a complete nightmare".

Rio's decline can be traced back to 1960 when the capital was shifted to the specially built city of Brasília. Since then its economic deterioration has been spectacular. Between 1970 and 1988 when the growth of per capita income was 152

per cent nationally, in Rio it was less than 71 per cent. Rio now contributes only 12.91 per cent of GDP compared to São Paulo's 51 per cent. Only 20 years ago Rio's contribution was 17.9 per cent, while São Paulo's was 38.8 per cent.

Rio businessmen say this is not unconnected to the fact that for most of the last 25 years the state governor has been in opposition to the federal government.

Mr Sergio Quintella heads AD Rio, a development agency set up by 40 private and five state companies to attract investment.

He believes Rio has been deliberately maltreated. "Over the last 25 years fiscal incentives were used by successive governments to attract people into regions and sectors which systematically discriminated against Rio."

But not everyone has lost hope. Mr Roberto Medina, himself a kidnaper victim in June, is the founder of Rock in Rio, the world's largest rock concert.

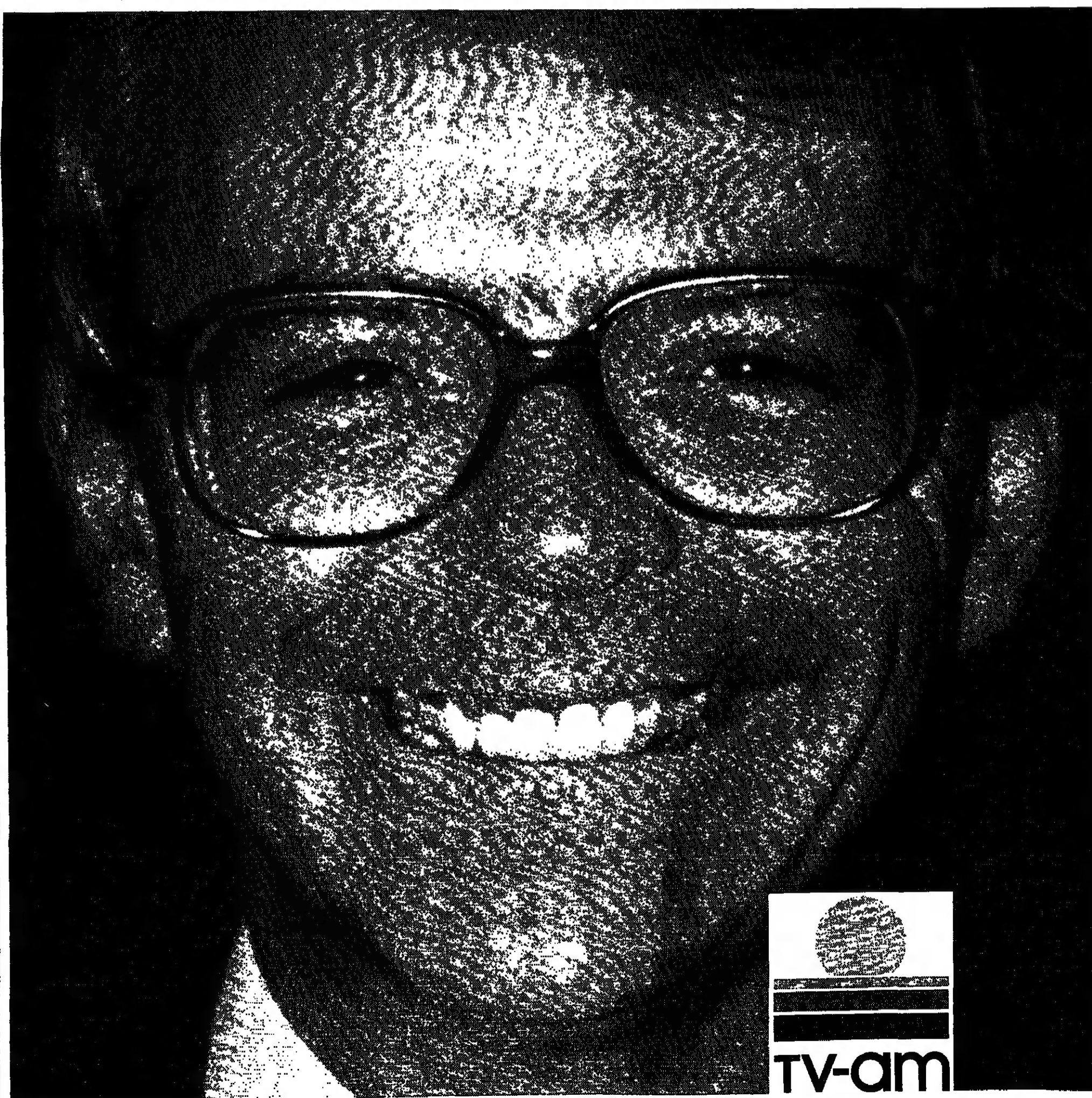
He claims to have no qualms about holding Rock in Rio II this month: "The first Rock in Rio attracted 1.3m people without a single casualty. This time will be even bigger... the ultimate demonstration of faith."

Mr Protasio is also optimistic: "The values of Rio may have declined but a second Rio can never be created."

## TV-PM. David Frost talks to Prime Minister John Major

in his first full length TV interview since entering No. 10.

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## INTERNATIONAL NEWS

## Brussels sets schedule for farm reform plans

By David Gardner in Brussels

THE European Commission yesterday set a schedule for what it insists will be far-reaching reforms to the EC's farm subsidies regime, but is still keeping secret details of what could prove a highly contentious package.

Ranking Commission officials made clear that the reforms would reach back to the mid-1980s and proposals for evolutionary change which never quite evolved, rather than embody the "revolutionary" transformation announced last month by Mr. Jacques Delors, the Agriculture Commissioner.

The Commission is due to continue what its spokesman yesterday described as its "first reflections" on reform of the common agricultural policy (CAP) on January 9. But it has set January 19 as the date for a "seminar" to finalise the concrete proposals it will present to EC member states.

This is four days after Mr. Arthur Dunkel, director-gen-

eral of the General Agreement on Tariffs and Trade (GATT), is due to produce his interim report on the prospects for restarting the stalled Uruguay Round negotiations to liberalise world trade.

These broke down last month because the US and the Cairns Group of 14 farm produce exporters led by Australia rejected EC offers to cut internal farm subsidies as an inadequate response to their demands for heavy cuts on export subsidies and import levies.

One Commissioner said yesterday there was "no question" of taking the proposals to Mr. Dunkel first, insisting these were "internal reforms" which would be completed to adopt with or without GATT.

The Commission appeared divided yesterday on Mr. MacSharry's exposition of the options for CAP reform. And this is before concrete measures are laid before EC farm ministers, who last year

required eight European council meetings to agree on the Commission's proposal for a 30 per cent reduction in internal farm supports - over 10 years backdated to 1986 - which was roundly rejected at the Uruguay Round summit.

The Commission is examining the possibility of:

- "Reorienting internal supports". This would entail some switch from production subsidies through price fixing to direct income support for smaller farmers;
- Measures to control supply, back in expensive surplus on beef, dairy produce and wheat;
- More aggressive set-aside policies to take cereal land out of production;
- Much more funding for "structural" measures to ease through changes - currently 96 per cent of EC farm spending is on market support;
- Measures to safeguard the countryside and promote non-food use of agricultural produce.

## Blum offers deal in prescription drugs row

By Katharine Campbell in Frankfurt

GERMANY'S social services minister, Mr. Norbert Blum, has offered to scrap his plan for sharply lower drug prescription charges in east Germany if the pharmaceutical industry pays a hefty contribution to help prop up the faltering health insurance schemes in the east.

He made the offer after a long meeting with drug industry leaders, many of whom have been refusing to deliver goods to east Germany since the beginning of the year in protest at a new law enforcing a 56 per cent discount on drugs prescribed in east Germany.

The boycott, coupled with panic buying in advance of the measure, has led to complaints of serious shortages.

The industry, which had offered a one-off payment of DM900m (£131m), is now being asked to contribute DM500m for the year from April 1, DM1bn for 12 months from April 1993, and a further DM700m until the end of 1993. If the insurance companies' deficits exceed these figures, the industry will split the additional costs equally with the state.

Mr. Theo Waigel, the finance minister, added a further commitment of DM600m from the central government coffers by effectively writing off a start-up loan for working capital made to the eastern social services system last year.

## EC may lend Prague up to Ecu375m

THE European Commission yesterday proposed that the EC loan Czechoslovakia some E280m to bolster the country's transformation to a free market economy. Reuter reports from Brussels.

If approved by the 12 EC governments, the loan would form part of a \$1bn package involving other developed countries and some wealthy Arab states in the Gulf.

A Commission spokesman said the loan would be for a maximum of Ecu375m (£287m). It would be for a maximum of seven years and paid in two instalments. The first tranche would be paid once Czechoslovakia reached agreement with the International Monetary Fund on a stand-by accord.

The loan is designed to support Czechoslovakia's balance of payments now that oil prices have risen and Soviet supplies have to be paid for in hard currency. It would also be used to help make the koruna a fully convertible currency.

In a separate statement, the Commission gave details of the first instalment of Ecu4m (£3m) of emergency aid for the Soviet Union, Bulgaria and Romania approved at the end of December.

The aid, mainly food, medicines and other essential goods, is being distributed through 13 Red Cross and other non-governmental organisations to children, elderly people and other vulnerable groups in the three countries.

## Hungary will devalue forint

HUNGARY will devalue the forint by 15 per cent against convertible currencies from January 7, AP reports from Budapest. Before the devaluation, one dollar was worth 60.90 forints.

Hungary's inflation, which was about 34 per cent in 1990, is expected to reach up to 40 per cent this year, according to an official communiqué. The devaluation is intended to contain inflation and make Hungarian goods more competitive.

## More seek asylum in Germany

By David Marsh in Bonn

THE NUMBER of foreigners applying for political asylum in Germany last year rose 59 per cent to a record 193,000, adding powerfully to pressures on housing and social security caused by inflows of ethnic Germans from eastern Europe.

Romania, with 35,345 applicants, headed the list of countries whose citizens sought asylum in Germany last year. This compared with just over 3,000 Romanian refugees came from Yugoslavia, Turkey, Poland, Lebanon, Vietnam, and Afghanistan.

The asylum figures were published a day after statistics showing a record influx of 397,000 Aussiedler or ethnic German emigrés into Germany from eastern Europe in 1990, compared with 377,000 in 1989.

The percentage rise in the Aussiedler volume was much smaller, however, than that for the asylum-seekers, of whom there were just over 121,000 in 1989.

Mr. Wolfgang Schäuble, the interior minister, called yesterday for a co-ordinated European policy to deal with the increasing number of asylum-seekers from eastern Europe and the Third World. He pointed out that Germany was the destination of roughly half of all refugees seeking political asylum in western Europe.

Inflaming the political sensitivity of the issue, only a very small number of people applying for asylum end up being officially recognised as refugees.

The German authorities certified only 4.4 per cent of applicants last year as being eligible for protection on the grounds that they were being politically persecuted.

## Miners march on Ankara

Thousands of Turkish coal miners yesterday set out to march to Ankara, in the wake of Thursday's one-day general strike, in the most visible display of union militancy in more than a decade, writes John Murray Brown in Ankara.

The official Anatolian news agency said 80,000 workers and their families left the Black Sea mining town of Zonguldak on foot for the 280-mile march.

The miners who have been leading the strike action this week rejected the government's TL250bn (\$45m) offer which would give workers increases of around 100 per cent. The miners want up to 500 per cent.

## An Italian comic opera coup plot

By John Wyles in Rome

THE TRADITIONAL threat that Italian mothers have used against recalcitrant children - "if you don't behave I shall call the carabinieri" - has been confirmed this week as having had a far more sinister cultural impact than previously thought.

In 1964, the then head of Italy's military police, General Giovanni De Lorenzo, decided that his carabinieri might need to be called into sort out the politicians and new revelations about his planned coup d'état will today dominate Italian newspaper headlines.

Under intense political pressure, the government has provided parliament with unpublished material on what was learned from internal inquiries at the end of the 1960s about Operation Solo. This is the name Gen. De Lorenzo gave to his slightly comic opera plan in the belief that the carabinieri could execute a coup alone.

Politicians have been demanding to know whether there is evidence to link the so-called Operation Gladio - the Nato-inspired group of underground forces to fight an enemy invader - with Solo. Gen. De Lorenzo was head of Sifar, Italy's military intelligence operation, during the time it was involved in setting up Gladio and before he became head of the carabinieri.

While L'Unità, the Communist party daily, was asserting yesterday that circumstances were enough to confirm that Gladio was probably subverted for sinister right-wing aims, there is no hard evidence in the new revelations to believe so. However, L'Unità is undoubtedly upset by the information that on the day of the planned coup its offices were to have been occupied and its printing plant destroyed.

The hitherto censored mate-

rial will be seized upon to support the view that the dapper, monocled general was planning a first strike rather than a counter-insurgency action, as the majority of a parliamentary committee of inquiry concluded in 1968.

Some 20,000 carabinieri were to have been deployed in occupying radio and television stations, prefectures, telephone and telegraph buildings and Communist party offices in the main cities. They were to be ready to shoot to kill against any resistance.

In addition, Sifar had prepared for Gen. De Lorenzo a list of 731 people to be incarcerated in a sort of concentration camp on Sardinia. This list has not been published and it is not clear whether it still exists.

Since Gen. De Lorenzo died in 1973, he cannot now be asked how he could believe that 20,000 carabinieri could control a country whose tradi-

tion of armed left-wing resistance was still alive and well. Nor can we know to what particular threat he thought the country was about to succumb.

There is a school of thought which holds that Operation Solo was always intended to be a paper coup about whose existence the Italian left was meant to be aware. At the height of Solo's planning in 1964, President Antonio Segni was running out of patience at the interminable negotiations between Christian Democrats and Socialists on renewal of Italy's recently-born experiment in centre-left coalitions.

Mr. Pietro Nenni, the Socialist leader, certainly got wind of something and softened his policy conditions for agreeing to a new coalition. Political partisans in Italy date from that moment the Socialists' steady subordination to, and gradual tainting by, the Christian Democrat state.

## UK NEWS

## Protest at OfTel cellular proposal

By Paul Abrahams

THE FEDERATION of Communications Services is considering legal action against OfTel, the UK telecommunications watchdog, following its recommendation that cellular network providers should be allowed to retail services directly to the public by 1993.

Mr. David Savage, chairman of the cellular service provider group of the FCS, the main telecommunications industry trade association, warned yesterday that the success of the UK cellular telephone industry, which with £700m of airtime revenues a year and more than 1m customers is the world's largest, could be jeopardised if the recommendation was put into practice.

He said the FCS had asked lawyers to consider whether OfTel had followed the correct procedures before making its recommendation last June. He added that he was concerned about OfTel's ability to cope with the increased regulatory load likely to occur when the government liberalises the British telecommunications market later this year.

Under OfTel's recommendation the two network operators, Vodafone and Cellnet, would be allowed to retail cellular services directly to consumers. At present they can act only as wholesalers, providing capacity to independent retailers.

Mr. Savage said: "If something isn't broken, you shouldn't try to fix it. The existing system may not be perfect, but has nevertheless been highly successful in stimulating consumer choice and market growth."

OfTel's recommendation risked reducing both choice and competition, said Mr. Savage. He said the introduction of such large companies into the market would artificially accelerate consolidation in the industry.

If allowed to provide services directly to the public, network operators could abuse their position by cross-subsidising their retail subsidiaries or by providing preferential treatment to their service operations, explained Mr. Savage.

Cellular retailers have been suffering in recent months from a slow-down in market growth and an increase in subscriber bad debt.

Mr. Savage said the FCS would prefer the separation between operators and retailers to be maintained. He added that if OfTel was determined to allow network providers to offer retail services, measures should be taken to ensure a level playing field.

In response to the government's proposals to liberalise the telecommunications industry, the FCS is to ask the Department of Trade and Industry to consider releasing licences to companies unless they sell 80 per cent of their capacity to third parties. This would prevent large groups providing cellular services to their employees at wholesale rates by setting up as retailers.

THE CINEMA industry enjoyed its best year for a decade in 1990 with record advertising revenue and box office receipts and the highest number of ticket sales for 10 years.

The popularity of escapist movies such as Ghost and Pretty Woman helped box office receipts. The industry performed particularly well over Christmas thanks to the success of the children's films Home Alone and Teenage Mutant Ninja Turtles.

The latest estimates from Rank Screen Advertising, the UK's largest cinema advertising contractor, suggest at least 91m cinema tickets were sold in 1990 compared with 88m in 1989.

This means cinema attendances increased for the sixth successive year. Cinema attendances reached their peak in the UK during Hollywood's heyday of the 1940s, but fell



Turtle power: children's films lifted Christmas sales

into decline in the 1960s because of the growth of television. Attendances fell steadily until 1984 when just 54m tickets were sold.

Mr. Peter Howard-Williams, managing director of Rank Screen Advertising, attributed last year's growth to "lots of good films" and invest-

ment in multiplex cinemas. Ghost, the urban fantasy, was the most successful film of the year with box office receipts of £17m, according to Screen International magazine.

Followed by Pretty Woman, the comedy featuring Richard Gere and Julia Roberts, with nearly £12m.

Other successful movies included the comedies Look Who's Talking and Honey I Shrunk the Kids, and Total Recall, the science fiction film starring Arnold Schwarzenegger.

The industry is confident of another buoyant year in 1991. A number of successful Hollywood sequels are scheduled to open in the UK over the next few months.

These include Rocky V, Three Men and a Little Lady, Look Who's Talking Too and Godfather III, which opened in the US on Christmas Day and grossed \$32m (£17m) in its first eight days.

## Claims for fire damage rise sharply

By Richard Lapper

INSURANCE claims in the UK for commercial fire damage rose more than 30 per cent in the third quarter of 1990 to a record £235.1m, the Association of British Insurers said yesterday. Claims for domestic fire damage rose 14.6 per cent to £33.3m.

Total claims in the year to September 30 1990 rose 27.4 per cent to £954m.

The figures are more bad news for the insurance industry, which suffered losses of more than £22m last winter's storms.

After a dry summer losses from subsidence amount to a record £80m.

Earlier this week Guardian Royal Exchange announced an increase of between £50m and £70m in reserves for future claims on motor, employers' and public liability policies.

## Big Top intact after stormy decade

Peter Marsh explains how the circus is adapting to changing tastes

MR DAVID Konyot, circus clown, is not amused with life in Britain. He is selling his house in Rotherham, south Yorkshire, and moving to Belgium to escape government bureaucracy, rising costs and the difficulties of finding full-time work caused by the recession.

Mr. Konyot, who is 43 and has been a clown since the age of 13, is particularly fed up with the poll tax and with the economic consequences of Mrs Thatcher's government. "The noose has tightened in the past two years", he says.

That is one face of the circus - a part of British life for two centuries but which during the 1980s had a tough time to adapt to changing tastes.

A more rosy aspect is presented by Mr. Chris Barltrop, ringmaster at Oxfordshire-based Chipperfield's Circus - a famous circus company which has spent the last four years away from Britain on tour in Malaysia, Hong Kong and Singapore.

On the circus's return to the UK, Mr. Barltrop has been pleasantly surprised. Chipperfield's show in London - one of three circuses in the capital during the Christmas period - has been well supported, he says.

One difficulty for circuses over the past decade has been publicity about alleged cruelty to performing animals. That has led some local councils to ban circuses with caged beasts.

It has been a stigma which the profession has found difficult to rub off.

Another challenge has been the more sophisticated demands of the public in terms of entertainment. Mr. Roberto Gennaro, a theatrical agent who specialises in circuses, says: "Clowns today have to be talented and funny. It's no good going out there with a bit of make-up and cracking a few silly gags."

These shifts in attitudes notwithstanding, circuses have received a potent boost to their morale from the entry into 10 Downing Street of Mr. John Major, the son of a trapeze artist.

Austen Brothers' circus, the second show on in London over Christmas, has gone along with the trend away from wild animals. It has banned tigers, elephants, snakes, polar bears and other such crea-



Spirit of the circus: David Hibling, ringmaster and artistic director at Austen Brothers, with Despierto

tures - but has kept horses. The circus is trying to build up a reputation relying almost totally on human performers - one of whom is Mr. Konyot, who works for Austen Brothers on a short-term contract.

Mr. David Hibling, ringmaster at Austen Brothers, says building up support for this relatively new type of circus will take some years. "But given the economic climate and the competition from other forms of entertainment, we haven't been disappointed with our audiences," he says.

He says modern circuses have to take more care of the customer. "In Germany, people come to the circus in evening dress - why not here?" says the ringmaster.

The third circus in London this winter is run by Mr. Gerry Cottle, a flamboyant entertainer who has been in the cir-

plus the three on in London - employ a maximum of roughly 1,000 people at any one time.

The business depends mainly on freelance artists and casual staff, who can easily find themselves unemployed for long spells in between short bursts of work.

A top trapeze performer can earn £500 a week, but a less skilled artist may clear only £150 - and the man sweeping up the elephant droppings even less.

One man who claims to have little difficulty finding work is Mr. Danny Cesar, a 28-year-old Belgian equestrian who speaks four languages and tours Europe with his 10 horses and his wife Yasmin - a partner in his double act. Mr. Cesar says he is fully booked until late 1992. "If you give people good shows, they will come," he says. "If you put on bad shows, you die."

People in the British circus say they have been influenced by innovative circus groups from overseas - such as Archos from France and Circus Soleil from Canada - which have toured the UK in recent years.

Not all these shows have succeeded, however. But they have provided plenty of ideas, in particular on how to infuse into the traditional animal-oriented British circuses some aspects of the more theatrically-based shows of other European nations.

UK-based performers are becoming more willing to travel around Europe in search of work. Mr. Garry Bushaway, a 29-year-old trapeze artist who is performing with Austen Brothers this winter, says that later this year he may set out for Scandinavia, where in recent years the circus has been exceptionally strong, to look for more stable employment.

Mr. Bushaway - one of the four-person Pegasus Flyers, which claims to be the only all-British trapeze group - admits quiet pride at the thought that the new UK prime minister comes from a circus family.

Mr. Major recently made it known that he had no plans to visit circuses over Christmas. But Mr. Bushaway is sanguine. "If it hadn't been for the Gulf crisis, I am sure we would have seen Mr. Major here at the circus enjoying himself," he says.

## Major promises more privatisation

By Ralph Atkins

MR JOHN Major has indicated that there should be no let-up in the government's commitment to privatisation. This is in spite of the apparent shortage of viable candidates after the hectic pace of sales during the 1980s.

The prime minister, in an interview published in the Daily Mail newspaper yesterday, said there was a "fair bit left" on the list of possible sales. The public sector could be reduced still further by "contracting" - appointing private companies to act as agents of the government.

Mr. Major is adamant that reducing the

size of the public sector has to remain a priority, underlining his determination that at least this part of Mrs Margaret Thatcher's legacy should continue.

Once the electricity industry is fully privatised, the government will be committed only to the sale of British Rail and British Coal. Neither will be sold before the general election.

Government receipts from privatisation sales fell from a peak of £7.4bn in 1988-89 to £4.2bn in 1989-90. However, they are expected to rise slightly in this financial year, largely because of the sale of

the electricity distribution companies. Mr. Major said: "I do not want to deal with individual examples but there is a whole series of areas in the public sector which I think we can look at and say: 'can they actually be done by the private sector as agents of the public sector?'"

He said the Post Office was a special case because of the "particular problem" of the Royal Mail.

Elsewhere, "the presumption would be that unless it needs to be in the public sector, we would look at putting it into the private sector."



## UK NEWS

# Bankers deliver blow to ECGD sell-off plans

By Peter Montagnon, World Trade Editor

PLANS to privatise part of the Export Credits Guarantee Department have suffered a setback because of dwindling interest from clearing banks, once seen as possible bidders for ECGD.

ECGD's short-term export credit insurance business, based in Cardiff, is to be privatised later this year. However, bankers say the cost of owning it would be prohibitive because of big capital requirements that would be imposed by the Bank of England.

Their warning enthusiasm means that the list of potential bidders is likely to be shorter than originally expected, limiting the price the government can expect to achieve.

It has also prompted controversy over the different regulatory treatment of banks and insurance companies, which would not be subject to the same stiff capital requirements as banks if they bought the ECGD.

Mr John Hollows, head of international trade finance at Barclays Bank, said: "We looked very carefully at the acquisition of ECGD's Cardiff operation but withdrew when

we fully understood the implications as far as capital requirements were concerned." Other clearing banks said they would also be deterred by Bank of England rules requiring a bank purchaser to treat the £13bn-£14bn of exports insured by Cardiff as if they were loans for capital requirement purposes.

This makes the business unattractive to banks, leaving the bidding open to insurance companies only. Two such companies, Trade Indemnity and Sun Alliance, have publicly expressed an interest in buying ECGD, but the government and Samuel Montagu, its advisers, want a strong list of bidders in an effort to generate some real competition.

A concerted approach to the government from several trade associations is expected before the sale is debated in parliament this month.

The London Chamber of Commerce, British Exporters Association and the Confederation of British Industry are considering contacting Mr Tim Sainsbury, trade minister, to express their concern over the impact on exporters of the sale.

## Hong Kong bus group buys Essex operator

By Richard Tomkins, Transport Correspondent

ONE OF the most unusual changes of ownership in Britain's rapidly changing bus industry was made public yesterday with the announcement that Mr T. T. Tsui, said to be the fifth-richest man in Hong Kong, had stepped into the market.

His Hong Kong-based CNT Group bought the local bus operations of Ensign Bus Services last week for an undisclosed sum believed to be several million pounds.

Ensign, based in Furfleet, Essex, runs 87 blue-and-silver buses in the Romford, Dagenham and Barking areas of London and Essex, mainly on routes put out to tender by London Transport. It also operates the London Pride fleet of eight-seater buses and has sales and engineering activities, but these are not included in the sale.

The services taken over will be formed into a new company called Ensign Citybus which Mr Tsui expects to form the core of an expanding bus operation in the UK.

Mr Tsui runs a big bus operation in Hong Kong. CNT Group owns Citybus Ltd which operates more than 100 air-conditioned, double-decker Leyland Olympian coaches in Hong

Kong and the neighbouring areas of China. His other interests include the China Paint Company, the China Harbour View Hotel and Rediffusion Hong Kong.

Ownership of the UK bus industry has been in a state of flux since deregulation brought the break-up of the state-owned National Bus Company in 1985. Recently there has been aggressive expansion of operators such as Stagecoach Holdings, Badgerline Holdings and Drawlane Transport Group, which have grown rapidly through acquisition.

Mr Tsui's move is believed to be the first by an overseas entrepreneur into the UK into a market which until now has remained the preserve of domestic operators.

Britain's bus industry is the only one of any significant size in Europe to have been deregulated. This has led to fears that it could be vulnerable to competition from operators in countries which did not allow it to reorganise.

Yesterday the Bus & Coach Council, the UK industry association, said it saw Mr Tsui's interest as a positive sign. "We welcome investment from any source," it said.

## Property developer to face winding-up plea

By David Waller

A WINDING-UP petition has been brought against Land & Property Trust (LPT), a private property development company controlled by Mr Berish Berger, the descendant of the Berger property dynasty which has assets estimated at about £400m to £500m net.

The forced winding-up of the company would worsen difficulties in the property market.

The petition was taken out by John Lelliott, the main contractor on the Point West development in west London, which is being built by a subsidiary of LPT. The project,

one of the largest residential developments under way in London, went into receivership just before Christmas.

Lelliott refused to give the grounds for the litigation yesterday. LPT was unavailable for comment.

Mr Tony Houghton, the Touche Ross partner who is receiver at Point West, said the winding-up order affected the parent company and not the Point West development. He had postponed the contract with Lelliott for one month while the feasibility of the project was examined.

# Reviving the spectre of sheep-and-goats schooling

Norma Cohen reports on reactions to the government's move to greater flexibility in the curriculum

IT IS a widely accepted principle that students in their final years of compulsory schooling should be doing all they can to prepare themselves for the real world.

Therefore, the decision of Mr Kenneth Clarke, education secretary, to unravel a key portion of the government's 1988 Education Reform Act and allow greater flexibility in the curriculum for older pupils was, generally, greeted with enthusiasm.

"I am delighted," said Mr John Sutton, general secretary of the Secondary Heads Association. "We've been telling the government for some time that 10 subjects at key stage 4 (14- to 16-year-olds) would not work."

Similarly, Mr Vivian Anthony, general secretary of the Heads Conference, which represents the most prestigious private schools, said: "This receives our wholehearted support. It's exactly what we've been asking for."

However, in the process of unlocking the curriculum to open the door to a system of academic and vocational subjects, Mr Clarke has once again raised the spectre of a two-tiered system of qualifications for school-leavers.

The revisions also appear to open the door to a system of largely vocational education for less academically able youngsters beginning at age 14.

Such a system was broached in November by Mr Tim Eggar, education minister, but was quickly scotched by aides to Mr John MacGregor, former education secretary.



Change of course: pupils will no longer have to tackle 10 GCSE subjects under the new proposals

Yesterday, Mr Clarke said that getting more vocational study into the curriculum was one of the prime reasons for his proposals.

GCSE examinations, intended to become the final measure of pupils' grasp of the national curriculum at age 16, had replaced the dual system of O Levels and CSE exams.

But Mr Clarke's radical rewrite of the Education Reform Act, announced yesterday, has abandoned the critical requirement that all students learn all 10 subjects well enough to pass GCSE exams. Instead, only three subjects -

mathematics, science and English - will have to be studied.

Technology and modern languages may be studied in an abbreviated form and students have the option of dropping either history or geography completely or taking a watered-down version of both.

Art and music become optional subjects. Students may replace optional subjects with other non-national curriculum subjects or, as appears even more likely, may replace them with vocational studies.

Mr Clarke said yesterday he

did not believe the shortened courses would force a return to the dual system of credentials for school-leavers, which had prevailed before GCSEs.

The government's advisory body on exams, the Schools Examinations and Assessment Council, "will have to address itself to what lies at the end of the shortened courses," he said.

But the council's reaction was to say: "That worries us very much, because we may return to a dual system of exams which we spent 20 years trying to get rid of."

The National Curriculum Council said: "CSEs and O Levels were very much a sheep-

and-goats affair."

While the academically able goats went on to take O Levels, sheep were encouraged to set their sights lower, pursuing only CSEs in certain subjects. These CSE qualifications never attained the status of O Level exams.

How employers or institutes of higher education will view the new half-measure GCSE qualification is unclear.

Certainly, much depends on the type of exam devised to measure it and public perceptions of the degree of rigour required to pass it. Further,

the question remains whether the sheep-and-goats system will be encouraged again through the introduction of vocational studies for 14-year-olds.

Mr Tony Webb, director of education at the Confederation of British Industry, said the proposals needed further study and expressed disappointment that the study of technology and modern languages would not be required up to GCSE level.

While the CBI generally welcomed the option for vocational study at key stage 4, it feared that it might be presented only as an option for less able pupils.

"If these qualifications are to have status, they should enable people to go on for A Levels and should also attract high flyers," Mr Webb said. A key ingredient of Mr Clarke's proposals calls for the vocational examining bodies to develop pre-vocational qualifications which certify that students have met the whole or parts of attainment targets also required for students studying national curriculum academic subjects.

The examining bodies have also been asked to develop exams for vocational subjects outside the national curriculum framework - subjects unlikely to lead pupils into A Level studies.

Ultimately, much work needs to be done before it is clear whether the latest reforms to the curriculum lead to greater choice for pupils or a greater divide between sheep and goats.

## BRITISH PSYCHOLOGICAL SOCIETY

### Use of graphology criticised

By Diane Summers, Labour Staff

COMPANIES are being warned today against using graphology - the study of handwriting - as an aid to recruiting employees or selecting them for promotion.

The warning will be given at the British Psychological Society's conference in Cardiff. It follows research which is said to show that handwriting analysis results almost completely failed to match more tested methods of selection.

Graphology is particularly popular in France, Germany and the Netherlands. Its use in the UK has been limited. Estimates of organisations using graphology vary from fewer than 1 per cent to nearly 8 per cent. Some companies do not like to admit openly they use the technique.

One company that is open about using graphology is SP Warburg, the investment bankers. Handwriting analysis was personally favoured by the man who founded the com-

pany, Sir Siegmund Warburg. The company said it was interested in the research findings but was likely to carry on using the technique. "We have used graphology for many years. We have a fair degree of confidence it has its place in the recruitment process," said the company.

Warburgs, which employs 5,000 people worldwide and 3,000 in the UK, emphasised that it used handwriting analysis only as an adjunct to extensive interviewing of prospective executives.

Graphology could become more common as growing numbers of companies based in other EC countries set up subsidiaries in the UK, said Mr Jon Cox from British Telecom and Mr Jane Tapsell from Austin Knight Consulting, the two psychologists who carried out the research.

They found 50 candidates who were being assessed for management potential by a

large company and sent them to a centre where they were observed participating in group discussions, performing in-tray exercises and completing written assignments. Such assessment centre tests have a long-established success rate, according to the researchers.

Samples of handwriting from the 50 candidates were then analysed by qualified graphologists. "The results showed only random relationship with performance in an assessment centre tests have a long-established success rate, according to the researchers."

However, Mr Chris Molander, chairman of the British Institute of Graphologists, said that assessment centre techniques had a "low degree of validity". He added: "For every report of this nature there are a dozen reports in Europe and the US that would not agree."

## Stress warning for staff who drive

By Diane Summers, Labour Staff

EMPLOYEES WHO drive to work or use a car as part of their job should be taught relaxation techniques to avoid driving themselves round the bend with stress, according to the latest research on the effects of regular driving.

The recommendation is part of a 10-point plan being put forward to employers by the Health Promotion Research Trust, after a study carried out by psychologists from Aston University in Birmingham.

A survey of about 700 regular drivers from companies which included Du Pont (UK) and Avon Cosmetics showed that the main sources of driver stress were: other drivers' behaviour; bad weather conditions; having to keep to a strict

time schedule; and worries from home or work.

Drivers were more stressed in the evening than in the morning, Mr Ian Glendon from Aston Business School told the British Psychological Society conference. This was probably because of the accumulated effects of the stresses of the day.

Older employees found driving less stressful than younger ones, coped better and were more relaxed in traffic jams, the study found. These drivers also showed highest stress levels in the middle of the week.

Younger drivers were more stressed towards the end of the working week "as they looked forward to exciting weekends", according to the study.

As well as teaching relaxation techniques, companies should carry out an audit of their driving needs, the research recommends. Young employees, in particular, should be targeted for advice on how to reduce driving stress.

On an individual level, the study recommends keeping a driving diary for a week to see which situations are found to be particularly stressful. Listening to a car radio or tape was found to be an effective way of reducing stress while driving.

It is estimated that about 5m cars are used each day for work on the UK roads. In the European Community as a whole, about 50m cars are in regular use for work.

## INSTITUTE OF BRITISH GEOGRAPHERS

### Call for tax change to reflect costs to society of cars

By Andrew Jack

BRITISH motorists paid less than one third of the costs they imposed on society, a University of Lancaster transport geographer said yesterday. He called for adjustments in the tax system to reflect the ecological costs.

Speaking at the Institute of British Geographers' annual conference in Sheffield, Dr John Whitelegg calculated that the cost of cars to German society in 1986 was between DM107bn (£26.5bn) to DM117bn, while taxes on drivers raised only DM31.4bn.

Similar figures applied for cars in the UK, he said, while the subsidy provided by German society to trucks was even larger, with costs of DM46bn offset by taxes and other revenues of only DM6.7bn in 1987.

The costs of lorries exceed the revenues they provide by a factor of six or seven, while cars cost three to four times what they pay," he said. The

figures include the costs of road construction, traffic accidents, and the damage to health and buildings from air and noise pollution.

The higher figure for lorries was derived from the fact that they were involved in more serious and costly accidents and contributed more to noise levels. Roads also had to be built at greater strength to withstand their weight.

But the British Road Federation and the Road Haulage Association refused to acknowledge these wider costs, said Dr Whitelegg.

He called for the introduction of "ecological tax reform", which would transfer the tax burden away from labour and capital towards activities which consumed finite resources.

"Such a heavy subsidy provides drivers with a good deal and no incentive for change," he said.

## Sheffield games jobs costed at £82,370 each

By Andrew Jack

EVERY job directly created by the 1991 World Student Games in Sheffield will cost £82,370, according to an academic study released yesterday.

Most of the cost will be paid by the city's residents, but only 60 per cent of the jobs will go to people in the area, said Dr Paul Foley of Sheffield University.

Addressing a forum on the games at the Institute of British Geographers' annual conference in the city yesterday, he said that some 1,980 jobs

would be created as a direct result of the £174m spent on construction and running the event.

He said the cost-per-job figure was nearly three times the average of £28,760 for other recent urban, economic development projects in the country. Dr Foley added that the impact within a 10-mile radius of the city would be 9,738 jobs as a result of construction and 1,333 once the facilities were opened, further reducing the cost-per-job figures.

# Government closes its ears to the 'siren voices' of devaluation

Rachel Johnson and Ralph Atkins report on a debate which is becoming increasingly heated and crossing party lines

THE GOVERNMENT has made it clear it is deaf to the "siren voices" of those calling for a sterling devaluation to give economic recovery a chance this year.

Mr John Major said in an interview yesterday: "Look at the countries with the best exporting records in the world, the Japanese and the Germans. Have they been persistent devaluers? They have not."

Mr Norman Lamont, the chancellor, was asked in his FT interview this week whether he was sympathetic to setting a lower central rate for the pound. "No," he answered simply.

It is the government's job to give monetary policy responses to questions about interest rates and the pound. For if the markets caught a whiff of any intention to lower sterling's central rate within the exchange rate mechanism, it could make the pound vulner-

able on the foreign exchanges.

The devaluation debate has quickened, however, as the defence has mounted that the government locked sterling into the ERM in the middle of the fiercest recession since the 1930s, according to Sir Alan Walters, the former personal economic adviser to Mrs Thatcher who is leading calls for a devaluation.

In Westminster comments on the exchange rate are handled with care. The Labour party has focused on arguing for a cut in interest rates to avert a worse recession than necessary.

Mr John Smith, shadow chancellor, says: "The markets have already discounted a prospective cut in interest rates and it could be affected without a downward effect on sterling."

He attributes the government's predicament largely to its handling of ERM entry, par-

ticularly the decision to cut interest rates before joining. It was "a bet in the extreme" and has led to the government losing confidence in foreign exchange markets, he says.

With many expecting an ERM general currency realignment this year, the debate is heated in the City, industry and academia.

Arguing for the most radical change are the monetarists - led by Prof Tim Congdon of Gerrard and National - who want to restore monetary control by leaving the ERM. "We should have floating exchange rates, then we can control the money supply, especially broad money, and return to the policies of the early 1980s," he said.

Prof Patrick Minford, of Liverpool University, also wants to have a floating pound back. Failing that, there should be a devaluation to get sterling trading at the top end of a much lower central rate, thereby achieving greater exchange-rate flexibility.

"The government's line is to say there will be no devaluation and hope that things will be all right on the night. The trouble is, exchange rates are subject to shocks," he said.

of 10 per cent to 15 per cent - is too big. During the 1980s the average devaluation within the ERM was 3 per cent to 4 per cent, while the foreign exchanges automatically gave the thumbs-down to any devalued currency. He suggests a 3.3 per cent devaluation - moving its central rate to DM2.85. Without lowering the pound's value, the government could be forced to raise interest rates to keep it up, he says.

The National Institute's economist, Mr Peter Westaway, also supports an early devaluation to accommodate markets' expectation of a 3 per cent sterling depreciation over the year.

There are devaluationists within the Conservative party too, in spite of the government line.

Mr Nick Budgen, MP for Wolverhampton South West, is a persistent critic of the ERM. "In my opinion you come out of ERM as quickly as possible and when you come out then the market may devalue the pound," he says. The alternative is to devalue within the ERM but that would "make a nonsense" of the system.

He adds: "The consequence of not having it [a devaluation]

is that we would have interest rates too high for too long."

Yet there are just as many who find a devaluation unacceptable for both economic and political reasons. They consider that to devalue sterling as soon as the ERM medicine begins to bite would give the worst possible signal to the labour market, and thus shrink dealing with the UK's most deep-rooted economic malaise, wage-inflation.

For the Liberal Democrats, Mr Alan Beith, Treasury spokesman, said: "The government's mismanagement of entry [into the ERM] would only be compounded by a substantial devaluation now. The damage that would be done to our long term anti-inflationary credibility within the mechanism would far outweigh the short term benefits of a quick-fix devaluation."

Mr Gavyn Davies, economist at Goldman Sachs, says the only acceptable realignment would be a revaluation of the D mark versus the pound, leaving sterling's value against other currencies unchanged.

This would have the advantage of saving embarrassment. It would allow the government to

finesse the move as another Bundesbank-dictated shift of monetary policy.

Lastly, a clutch of economists consider the government made its bed by joining the ERM at its chosen rate, and now has to lie in it. Anything else would irreversibly undermine the government's commitment to Europe and its standing in both the domestic labour market and international financial markets.

Mr Graham Mather, director of the Institute of Economic Affairs, and no fan of the ERM, said: "I think the chancellor means what he says. I'm sick of those who advocated ERM entry only to set up a caterwauling about the rate at which we joined."

This sentiment probably explains industry's sudden silence. The Confederation of British Industry yesterday said the central rate was "broadly tolerable" and there was "no feeling that the rate was too high across a range of sectors".

Finally, the fact that most econometric models find that devaluations bring higher inflation is a compelling reason for the government to carry on ignoring the siren voices.

## NEWS IN BRIEF

### Jobs to go at MK Electric

MK Electric, the plug, socket, electrical accessories specialist, yesterday announced it was making 415 employees redundant in the south-east because the recession had depressed demand for domestic appliances and household electrical wiring.

The company will close its factory at Broadstairs in Kent and cut staff from its Edmonton, north London, plant and at its Buckinghamshire distribution depot.

### Raynor receivership

RAYNOR Contracting, an East Midlands based supplier of heavy plant to British Coal, went into receivership after finding itself unable to service interest payments incurred through rapid expansion. Mr Richard Rees of receivers Price Waterhouse said no redundancies were planned among the 110 employees.

### Sales growth slows

JOHN LEWIS Partnership, the department store and grocery chain group, said sales growth had slowed substantially. In the week ending on December 29 total sales grew by 9.9 per cent compared with an increase of 16.7 per cent in the same period in 1989.

### Royal Mail review

THE Post Office announced that it would review the management and administration of its Royal Mail Letters division to consider whether the present management structure met customer needs.

### BSkyB jobs to go

ABOUT 40 jobs are expected to be shed when British Sky Broadcasting abandons its Sportsdesk programmes on January 21. Journalists, presenters and technicians will be affected. The sports channel is run by Champion Television. Shareholders in BSkyB include Pearson, publisher of the Financial Times. Letters, Page 7

### House prices fall

UK house prices average fell by a record 10.7 per cent last year, according to a survey by Nationwide building society. It forecast that prices would rise by about 5 per cent this year provided mortgage interest rates fell this spring.

### Paisley claim denied

THE government of the Irish Republic denied a claim by the Rev Ian Paisley, leader of Ulster's Democratic Unionist Party, that agreement had been reached on Dublin's involvement in talks on the province's political future. It said the timing of Dublin's participation in talks remained an important subject of discussion.

### Pistol smuggled

THE pistol with which Mr Patrick Sheehy, the IRA terrorist suspect, apparently shot himself this week was part of an arms consignment of about 24 similar weapons smuggled to Ireland from Libya, police sources in Dublin said.



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## Mr Major's challenge

MR John Major has the reputation of being a very political politician. Why, then, did he introduce a policy, when chancellor, which will make it impossible to do what every one assumes a politician should do, namely, buy the election? Either he is a consummate actor or, far from being a political pussycat, is an ideological tiger.

The latter hypothesis looks increasingly plausible. Mr Major probably does believe that lowering inflation to the best European levels via membership of the Exchange Rate Mechanism at the current parity is politically astute and intrinsically desirable. His problem and that of the chancellor is that many people find it impossible to believe that he really believes this.

Such scepticism creates a vicious circle. Especially with the date for a general election getting close, the high price of making the government's policy credible is undermining its credibility and so increasing its price. None the less, the government must persist. It has no alternative.

How did the government get itself into what is increasingly seen as a pretty pickle? The obvious answer is that two developments were unforeseen at the time of entry at the beginning of October: the first was the limited credibility of the ERM commitment; the second was the rapidity with which the UK economy was entering recession. Taken together these two have made the deflationary force of ERM stronger and more immediate than was generally expected.

## Decidedly weak

Almost from the first few hours of the exchange rate, the weakness is the stage of the cycle. Sterling has been managed within a band of about 10 per cent on either side of DM2 for four years. Having followed a steep depreciation in 1986, that exchange rate was initially seen as rather low. On the summer of 1988 the main problem, therefore, was to keep sterling down. The monetary consequence was an inflationary expansion that undermined the exchange rate. For more than two years, the main challenge has been to keep sterling up.

In this way, the UK has entered its own recession, back in 1987 and 1988. But for the almost complete absence of more than a momentary second honeymoon, the bold decision to enter the ERM at a demanding rate and the mistaken decision to lower the base rate of interest simultaneously are responsible.

"When you take the industrial tribunal things get very rough and very dirty."

Alison Halford, Britain's most senior woman police officer, has generally kept her own counsel over her decision to take action against the police union, but her rare and bitter comment last month shows that the case has already provoked extraordinary depths of feeling.

Concessions of police internal policies have been made time following the twists and turns of the affair, and the tribunal hearings do not even begin until next week.

Ms Halford, an assistant chief constable in the Merseyside force, initiated her sex discrimination action in September.

Since then: she has herself been suspended from duty pending possible disciplinary action; Mr George Bundred, chairman of Merseyside police authority, has withdrawn from further participation in disciplinary proceedings involving Ms Halford following an allegation that he had described her as a lesbian.

● Newspaper reports have appeared of Ms Halford swimming in her underwear in a Merseyside businessman's pool while on duty.

● On Thursday Ms Halford, claiming that as a suspended officer she had the status of a member of the public, lodged a formal complaint against Mr James Sharples, her chief constable, alleging neglect of duty.

Many police officers, female and male, believe that the service's procedures for promotion to the highest ranks would benefit from public scrutiny. They hope that Ms Halford's industrial tribunal hearing will prove less lurid than its preliminaries and provide a forum for airing significant issues in a calm way. Time will tell.

Alison Halford, 50, grew up in Norfolk and attended Notre Dame Roman Catholic school in Norwich. She joined the

If the aim is to lower inflation to German levels as swiftly as possible, then the present policy will deliver it, though at a high price. The survey, published this week, shows the average forecast for inflation to be 4% per cent in 1992, though there is expected to be no economic growth in 1991 and an increase in unemployment of about a quarter of a million. The fall in inflation could be still steeper and, falling early and substantial reductions in rates of interest, the recession still deeper.

## Inflation objective

Mr Norman Lamont accepted these implications of current policy in this week's interview with the FT. He not only insisted that his main objective was to lower inflation, but ruled out devaluation. He sounded quite convincing. The foreign exchange markets seemed to think so, with sterling up to DM2.9151 by the end of the week.

The problem with this hawkishness is not its economics, but its politics. Tory backbenchers are likely to be running around like headless chickens six months or so from now. Maintenance of the present exchange rate might then become so unconvincing that interest rates would have to be raised. International events - higher German interest rates, for example - might add to the pressure. The government's attitude could then be tested to destruction.

Can the government do anything to increase its credibility? One possibility is to move to narrow bands around the same central rate, a bold but risky option. An undoubtedly sensible move, however, would be to give the Bank of England legislative authority over both interest rates and the foreign exchange reserves, while retaining only exchange rate policy for itself. Nothing could do more to increase the credibility of the present policy and so limit its likely costs.

What the government must not do is to return sterling, let alone leave the ERM, together. That would leave it without so much as a figleaf of counter-inflationary credibility. That so many want this so soon is the most convincing recent evidence of the dominance of short-termism in all reaches of British public life.

The government must persist through unbelief. It must hope that persistence will turn unbelief into belief. It may help itself by re-adopting a monetary constitution that was one of the models for the Bundesbank. But it sought marriage to the ERM. To seek a quick divorce would make it ridiculous.

When Mikhail Gorbachev told his fellow countrymen in his new address that they had "no more sacred task" than the preservation of a united Soviet Union, he chose his words with care. For the Soviet leader has launched little less than a religious crusade to preserve the union, against all the odds.

It is a campaign for which he appears to have abandoned his earlier hopes of rapid and radical economic reform, and thrown in his lot with those conservative forces which have until now been most suspicious of perestroika, glasnost, and the transition to a market economy.

On Soviet television on Thursday night, announcing that he had reached agreement with the 15 union republics on a temporary division of economic powers and responsibilities, President Gorbachev appeared both hugely relieved and exhausted. He tried to joke about the importance of the whole affair. Yet it was far from vintage Gorbachev. His pauses between words were so long that the obsequious interviewer was forced to interrupt to keep him going. Details of the deal have yet to be revealed. Even when they are, it still has to be approved by the parliaments of all 15 republics. It may even have to be agreed by the parliaments of another 20 autonomous republics, each one representing another ethnic group to which Joseph Stalin, seeking to divide and rule, saw fit to grant a fragment of independence.

Today that crazy patchwork of union republics, autonomous republics, autonomous regions and national territories, none of which meant a jot in the days of Stalin, has come back to haunt the much more democratic Mr Gorbachev as he tries to negotiate a new Union Treaty.

That document, the constitutional basis of the entire Soviet federation, is only now beginning to be discussed in earnest, although it was originally supposed to be agreed by the end of 1990. Crucial questions such as who decides the taxes, who spends them, and who will have how many votes in the future central government, are just beginning to surface, 12 months after the subject was raised.

The past year has seen instead a hectic process of every possible local entity seeking to declare its own sovereignty, autonomy or even independence, regardless of its constitutional basis or practical meaning.

Every single union republic has issued a declaration of sovereignty, most of which insist blithely that republican laws take precedence over union laws. Precisely what they mean in practice, nobody knows. But the effect has been to create what Mr Gorbachev has called a "war of laws", with the result that nobody knows which to obey.

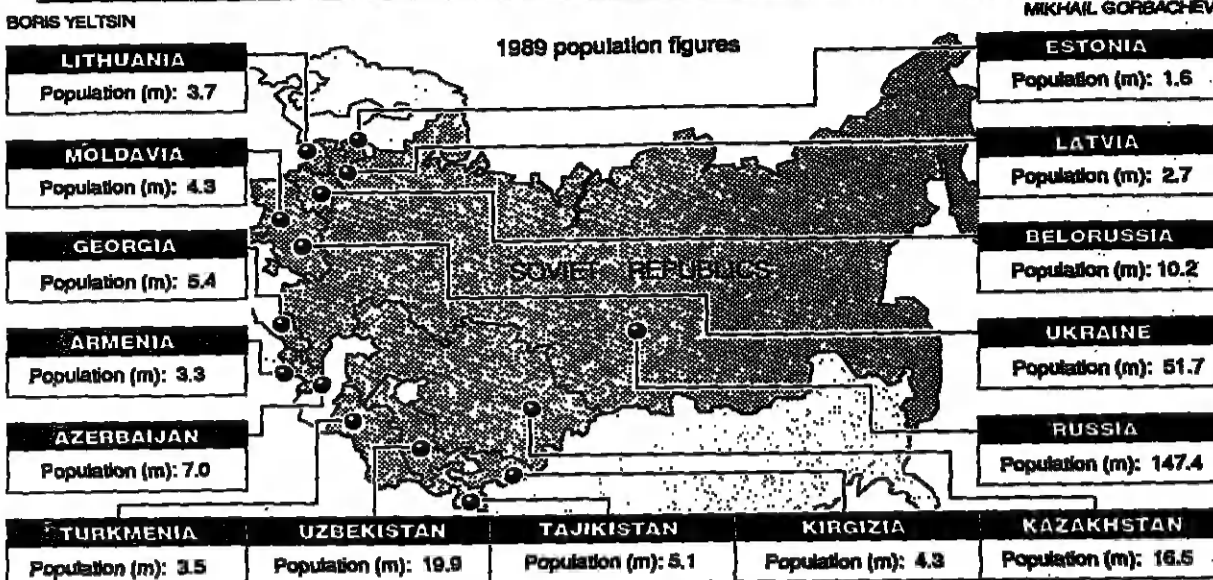
That is compounded by trade barriers, as each town and region, as well as the republics, imposes restrictions on who can buy what scarce foods and consumer goods, and what can be taken out of town.

It is not only a problem for Mr Gorbachev. Mr Boris Yeltsin, president of the Russian federation, which contains just over half the Soviet population, three-quarters of its territory, 50 per cent of its oil, and contributes 63 per cent of Soviet national income, is facing a parallel revolt. Of the 16 autonomous republics which are part of the Russian federation - places as exotic as Udmurtia, Tuva, Tataria, Yakutia and Dagestan - 14 have now issued their own sovereignty declarations or decrees.

As for the autonomous regions and national territories (another 18 across the union, 15 of them in Russia), several have demanded upgrading to the status of an autonomous republic.

That is the chaotic basis on which Mr Gorbachev is seeking to build his new treaty. Last month, he persuaded the Congress of People's Deputies, the supreme constitutional authority of the union, to approve his draft treaty

## Quentin Peel on the choices facing Mr Gorbachev as he tries to negotiate a new Union Treaty against powerful opposition



## Crusade to keep a country together

as the basis for talks. It seeks to leave the central government in control of defence, foreign policy, laying the basis for a single common market, a single currency and monetary system, managing gold and diamond reserves, a single energy system, railways, air and sea transport and pipelines. Social policy, culture, education and scientific research would be joint policies. There would be a unified system of law enforcement, and Russian would be the state language.

Mr Nursultan Nazarbayev, the able and ambitious Communist party leader and president of Kazakhstan, declared in advance that the vote was meaningless. "It is a question for the republics to decide, not the congress or the president," he said.

From an erstwhile Gorbachev loyalist, a man widely mooted as the likely vice-president, that was an extraordinary remark. Perhaps the most notable feature of the entire 10-day congress, behind the sound and fury of Mr Eduard Shevardnadze's resignation and Mr Nikolai Ryzhkov's heart attack, was the fact the every republican leader served notice that he was no longer prepared blindly to accept the word of the central government.

From Mr Yeltsin, that was to be expected. From Mr Nazarbayev, from Mr Islam Karimov of Uzbekistan, or Mr Viktor Fokin, prime minister of the Ukraine, it was a sign of the times. As for the openly rebellious republics, like the Baltic republics of Estonia, Latvia and Lithuania, or the Trans-Caucasians (Georgia, Armenia and Azerbaijan), half of them failed to attend. The others were there in flesh

but not in spirit. They are far more bothered about their internal problems, and preparing the ground for ultimate independence, than with any (for them) purely theoretical debate on the future of the union.

President Gorbachev appears to be convinced that the centrifugal forces can still be stopped. He has taken his eyes off the economic reform process, allowing the conservative bureaucrats in his government to dictate its pace and form, in order to concentrate wholly on saving the unity of the old Soviet empire.

If appearances are to be believed - and Mr Shevardnadze appears to believe them - the Soviet leader has been forced to fall back on the last institutions still dedicated to a centralised state: the military, the Communist party, the KGB, the huge defence industry and, quite probably, the Russian Orthodox Church. They are all dominated by Russians.

It is as if he is determined not to go down in history as the man who presided over the dissolution of the empire. After all, it was Peter the Great, not Stalin, who first conquered the Baltic republics. Tsarist rule was established in central Asia between 1850 and 1914. Georgia was declared a Russian protectorate in 1783, and Armenia incorporated between 1805-28. It is an awful responsibility to Mother Russia to be the man to let them go.

However what the republics now appear to see more clearly than the Soviet president is that economic and political reform are inextricably linked. Mr Nazarbayev and Mr Kar-

imov spoke up at the congress to denounce Moscow rule, precisely because of the economic exploitation of their republics. Although they are both loyal Communists, they suddenly see in a transition to a market economy the chance of liberation from the dead hand of the centre.

"The command-administrative system which stood for years is broken," Mr Nazarbayev declared, echoing words which Mr Gorbachev has uttered again and again since 1985. But he went on to identify the president with the old system. "Our efforts to earn hard currency are blocked by presidential decrees and laws prepared by the government," he said.

Control of export earnings in an economy where faith in the rouble has collapsed is now possibly the highest priority in every republic. Another key question is price reform. "The latest act by the Council of Ministers can be compared to wholesale subversion," Mr Nazarbayev said. That was the decision to impose new wholesale prices for raw materials, and new procurement prices for agriculture, and then delegate responsibility for raising retail prices to the republics.

He then accused the president of performing an "unnatural marriage", seeking to blend the radical economic reforms proposed by the Shatalin plan (involving a 500-day transition to a market economy) and the "planned transition" through administered price rises proposed by the Soviet government. "The artificial reinstatement of a still-born programme by the government is not a compromise we

should follow," he concluded.

So what picture of a future union do the republics' leaders espouse? Do they want a union at all, or are they inexorably heading towards disintegration? Mr Nazarbayev and Mr Yeltsin both insist that they do want a union. They are simply demanding that they design it, not Mr Gorbachev.

The Kazakh leader's vision appears to be close to the "economic union" first proposed by Professor Stanislav Shatalin and his fellow radical economists last August. It would involve agreement on a single market and a single currency, to provide the framework for substantial republican autonomy. According to the original version, the central government would not even have the right to levy taxes, but would simply request a proportion of republican taxes each year to finance its expenses.

The idea is a bit like moving to a common market in reverse. But the problem is how to get there from the present chronically over-centralised, over-specialised state economy, in which huge sections of industry are totally monopolised. An estimated 30 to 40 per cent of industrial output is accounted for by products for which there is only a single manufacturer. Every republic is therefore locked into the union by its dependence.

The desire to break that dependence is now paramount. "The centre is unwilling to listen even to its allies," according to Vitaly Portnikov, a commentator at the New Nezavisimaya (Independent) newspaper. "The centre does not wish to sign a Union Treaty of the sort that the republics desire. Does Gorbachev's team take into account the fact that the 'independence virus' has affected practically all the republics?"

Mr Portnikov believes that instead a Big Four agreement is in the making, involving a quadripartite pact between Russia, Ukraine, Kazakhstan and Belorussia. Mr Yeltsin has virtually said as much.

The idea is close enough to the vision spelled out by Mr Alexander Solzhenitsyn, the exiled novelist, for a future Slavic Union of Russia, Ukraine and Belorussia. None the less, the Big Four pact is somewhat different because it opens the door for central Asia to part of the union. It would therefore be less Russia-dominated than the Solzhenitsyn scheme.

Mr Gorbachev's counter might be to exploit the autonomous republics to use the desire of the second division republics for greater independence from the big republics. In his new constitutional reforms, he got all 30 of them included in the Federation Council, giving him a huge counterbalance to a conspiracy of the full union republics. The council will share executive power with the president on all questions of all-union significance, thus giving the republics a say in central government decisions.

The danger is that by doing so, he will reinforce the process of disintegration - and reopen bloody and divisive border disputes. Many of the republics have the artificial creations of Stalin, designed to install puppet leaders from local minorities, even when they did not represent a majority in their home territories.

If he is kept well-informed, Mr Gorbachev's apparent determination to keep a union together at all costs is difficult to understand. He insists that nationalist leaders in areas like the Baltics and Trans-Caucasus are unrepresentative, whereas elections suggest that people like Eduard Gamsakhurdia in Georgia, or Vyacheslav Landsbergis in Lithuania, enjoy genuine popular support. A referendum on the preservation of the union such as the Soviet leader is calling for may very well backfire in republics like those.

In reality, Mr Gorbachev's choice may be between allowing the republics to dictate the shape of a future confederation with a very weak centre, or seeking to impose a stronger centralised state by force.

## WOMAN IN THE NEWS

## Alison Halford Tough stand in a man's world

By Alan Pike and Ian Hamilton Fazey

Metropolitan Police in 1961, was a sergeant within four years and went off to fast-track training at the service's Bramshill College. By the age of 35 she was a chief inspector commanding central London's busy Tottenham Court Road police station - the first woman to do the job.

Seven years ago she became an assistant chief constable at Merseyside, taking charge of personnel and training and later moving to the complaints and discipline division.

It was during these years that she showed her concern about the treatment of women in the police service. In 1987 she wrote an article in the journal *Police Review*, accusing the service of resentment and mistrust of women's competence.

Attempts at further advancement failed - she is said to have made nine bids for more senior posts - and last autumn she began her sex discrimination action. This named Mr Sharples, Sir Philip Myers,

the Inspector of Constabulary responsible for the region which includes Merseyside; Northamptonshire police authority, where Ms Halford unsuccessfully sought a promoted post last year, and the Home Secretary.

At about the time of a preliminary industrial tribunal meeting on Ms Halford's sex discrimination case in September a Sunday newspaper published claims about the alleged swimming incident.

Her suspension last month, pending possible disciplinary action over alleged neglect of duty, discreditable conduct and falsehood.

If the background to Alison Halford's industrial tribunal case is complex, so are issues of discrimination in police promotion. There are about 14,000 women officers in the 43 English and Welsh forces, compared with 112,000 men.

At the end of 1989 the Home Office urged forces which had not already done so to develop



effective equal opportunities policies to recruit and retain more women and ethnic minority officers. The number of women officers has doubled since the early 1970s but a recent study suggests that the proportion holding ranks above the basic constable position has fallen significantly.

A few forces still have no women in even relatively senior ranks. Women are particularly under-represented in the higher levels of specialist branches like criminal investigation departments, and on duties like firearms squads.

When it comes to promotion to chief officer ranks - assistant chief constable and above - the back of the competitive bottle becomes extremely narrow. Each of the 43 forces has a single chief constable and deputy and, with the exception of the big Metropolitan force, usually no more than two or three assistant chiefs - many forces have only one. Greater Manchester has the most with six.

There are only 234 chief officers in England and Wales with, below them, many of the 561 chief superintendents aspiring to get into their circle. With so few slots to fill, say senior officers, it is not surprising or sinister that many highly able people fail to make it to the very top.

The appointments system has, however, come in for recent criticism in the light of efforts by the government and police forces to improve managerial efficiency in the service. It was described as "haphazard and amateurish" by the all-party Commons Home Affairs committee.

Critics within the police service see an almost exclusively male, white elite to whom it comes naturally to champion and support colleagues with attitudes and backgrounds like their own.

This can, it is argued, handicap not only women but capable male officers who may not fit established stereotypes. But women are placed at particular disadvantage say critics because, if they are denied access to a fair share of "difficult and dangerous" jobs earlier in their careers, they will be held to have insufficient experience for the highest posts later on.

The Home Office has begun taking increased interest in chief officer appointments as part of efforts to improve police management and efficiency.

Next week's industrial tribunal will focus yet more public attention on Britain's police service at a time when morale has been dented by several exceptionally serious problems, including fabricated evidence and dishonesty by officers.

The tribunal will not help the rebuilding of public confidence. It may, however, help the cause of women and the diminution of discrimination of any sort.

Whether it will help Ms Halford is a matter for conjecture. Her job opportunities within the police force were small enough anyway. In terms of her own career, therefore, whatever the outcome, hers may be a hopeless mission.

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\*Industrial rents (Jones Lang Wootton, Dec. 1989)

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## UK COMPANY NEWS

## Move into Europe blamed for fall in US purchases

By Jane Fuller

BRITISH companies' appetite for US acquisitions fell dramatically last year. And the issue of shares accounted for a larger proportion of the purchase price.

A greater interest in moving into continental Europe and a lack of money were advanced as reasons for the decline.

J P Mervin, the London-based corporate finance adviser, reveals in a survey that in 1990 the total amount spent acquiring companies in the US fell by 61 per cent from \$27.9bn to \$10.9bn, or \$5.6bn at yesterday's exchange rate. Share issues accounted for \$2.7bn of the considerations, a higher proportion than the previous year.

A total of 195 companies were bought 40 per cent less than the 326 bought in 1989. That year was the first to show a decline since 1983, but the drop was more severe in 1990.

As with the previous year, Mervin points out that UK companies have turned their attention to continental Europe to prepare themselves for the single market. While UK buyers remain the most active of the Europeans, the approach has been to acquire small companies in large numbers. Continental rivals went in for a smaller number of large, strategic purchases.

Ms Elizabeth Wilmet, one of the survey's compilers, said another reason for the fall was that it had become more difficult for UK companies to find the money. Profits had tended to fall and it was not so easy to raise money either by borrowing or the stock exchange.

Currency fluctuations never

	ACQUISITIONS IN US			
	1990	1989	1988	1987
	Price(\$m)	Number	Price(\$m)	Number
Natural resources	2,520.5	13	4,641.6	12
Financial and corporate services	1,880.4	15	1,976.0	37
Consumer products and services	1,375.5	10	4,712.2	27
Industrial products	1,287.5	26	797.4	43
Electronics and security hardware	936.2	27	2,545.5	34
Building and building materials	863.1	17	639.9	38
Publishing and information services	501.2	15	1,567.6	23
Retail	500.5	6	562.1	4
Specialty chemicals	470.4	18	807.5	20
Industrial services and distribution	339.9	30	653.3	46
Paper, packaging, printing	186.5	3	557.6	16
Property	140.2	3	313.8	5
Food, beverages and agriculture	101.5	7	1,749.5	15
Medical	25.0	5	8,365.1	3
Total	10,940.4	195	27,906.6	326

seemed to have had much of an influence on purchasing patterns, but worries about the US economy had become a deterrent, she added.

The size of deals also shrank. Top of the pile was the \$1.25bn purchase by Reckitt & Colman, the household products, food and drugs group, of Boyle Midway. There were only three transactions of more than \$1bn, compared with five, all at more than \$1.5bn, in 1989.

Two Hanson acquisitions, the biggest being Peabody, the coal mining concern, ensured that natural resources became the most popular sector with deals totalling \$2.52bn (\$4.84bn). The 1989 leader, consumer products and services, showed one of the sharpest

declines to \$1.38bn (\$4.71bn). The most active companies were MFM, the UK specialist chemicals manufacturer, and Rentokil Group, the environmental services and property care group, which each made six purchases.

Geographically, the south-east overtook the north-east as the most popular area, but all fell back except the south-west.

While the British were drawing in their horns, the Japanese increased their investment with deals totalling \$9bn.

A Survey of Acquisitions and Divestments in the United States of America by British Companies in 1990, J P Mervin, 60, 61 Douglas Street, London WC1N 2NE. £200.

## Canadian garden tool purchase by Hanson

By David Owen

HANSON, the industrial conglomerate, yesterday moved to expand its interests in the North American garden tool sector with the \$13.7m (£7.1m) acquisition of the Canadian assets of Garant.

Garant is the largest Canadian maker and distributor of non-powered lawn and garden implements and snow shovels. It will become a division of Ames, Hanson's existing US-based tool operation.

According to Sir Gordon White, chairman of Hanson Industries, Hanson's US arm, the "bolt-on" deal is intended to strengthen Ames' position in the North American market. "Until now, Ames' sales of shovels, pitchforks, garden shears, wheelbarrows and the like have been concentrated mainly in the US.

In the year ended November 30, Garant had estimated sales of \$11.4m and operating profit of \$1.8m. Net asset value at the end of the period was put at \$13.7m.

Hanson, which reported record pre-tax profits of \$1.2bn on turnover of £7.15bn in the year to September 30, classifies Ames alongside Jacuzzi and Kaser Cement among its US building products businesses. These contributed trading profits of £66m (£75m) and sales of £565m (£644m) to the group's 1990 results.

Hanson said that Ames had improved earnings in contrast to most other businesses in its building group, "by aggressively marketing new plastic moulded products and reducing costs." The group describes Ames as a "relatively small company" in the context of its US building products division.

## A case of poor public relations

Alice Rawsthorn on the Shandwick chief's amended share proposal

IT IS not that I regret my decision," said Mr Peter Gummer. "But I am regretful in the sense that people might think we made a misjudgment."

Mr Gummer, chairman of Shandwick, the world's largest public relations group, has just ended a gruelling week. On Thursday he announced he was changing the terms of his proposed sale of Shandwick shares to an Employee Share Ownership Plan.

Instead of raising £1.8m by selling 2m shares at 90p to the ESOP, as he originally hoped, Mr Gummer has been forced to make an embarrassing rate face and will raise just £851,190 by selling 1.25m shares at 51p to the ESOP and 419,000 shares to his own private pension fund.

The story began at Shandwick's annual general meeting in December when Mr Gummer announced his original proposal to shareholders. The Shandwick board had been considering plans for an ESOP since April as a way of providing equity participation for employees at a time when its low share price had made their share options virtually worthless.

Mr Gummer, the brother of Mr John Gummer, the agriculture minister, needed to raise money to pay capital gains tax on a previous sale of Shandwick shares. At a board meeting held on the morning of the agm the Shandwick board approved the plan for him to sell shares to the ESOP. Mr Gummer abstained from the vote.

He saw the proposal as a "perfectly reasonable way of incentivising employees". Given that he needed to raise capital the alternative, he said, would have been placing which would have reduced the propor-



Peter Gummer - no question of a loss of confidence

tion of equity held by management. Unfortunately for Mr Gummer, Shandwick's shareholders saw it differently.

The shareholders, already unnerved by the traumas of other members of the marketing sector, notably Satchel & Scott and the WPP Group, interpreted his proposed sale as a loss of confidence in the company.

"I am infuriated by such a suggestion," said Mr Gummer. "I still hold 6 per cent of the equity and am 100 per cent committed to Shandwick. There was no question of a loss of confidence."

The institutions were also annoyed that the ESOP would not be buying shares on the open market. Their reaction was aggravated by concern about Shandwick's annual report which disclosed an £8.5m provision on acquisitions and that it was changing its year end. Such disclosures might have gone unnoticed in the confident stock

market of a few years ago. In the current climate they were interpreted in a negative light.

Shandwick's shares fell sharply from 90p on the day of the agm to 48p yesterday. By the time Mr Gummer announced his new proposals on Thursday his employees could have bought Shandwick shares more cheaply in the market than under his original plan without forfeiting dividend rights as they would do if they bought through the ESOP.

S.G. Warburg Securities, Shandwick's house broker, was also opposed to the original proposal. It had been involved in the preparation of the ESOP, but was not told about the plan to buy Mr Gummer's shares until the agm.

Shandwick's lawyers discovered an oversight in the documentation for the deal. The problem could have been solved but Mr Gummer decided to scrap his original plan. "In the light of the way the share price

had performed, I could not have done anything other than rescind the deal," he said.

It is difficult to assess how damaging the debacle has been to Shandwick. The chief concern is the impact on the share price which has almost halved since the agm mainly because of the reaction to Mr Gummer's original proposals.

A low share price does not pose a practical problem to Shandwick. In the middle East, it has the option to make its deferred payments on acquisitions in cash rather than shares. But it does affect market perceptions at a time when Mr Gummer is at pains to prove that public relations is withstanding the recession far better than other areas of marketing, such as advertising.

He was adamant that revenues had "shown satisfactory growth" so far this year. Shandwick is experiencing a slow-down in certain areas in the UK and US. However, he said, it was not sharing from doing whatever is necessary to protect margins. Shandwick recently announced 20 redundancies in London.

Nonetheless, James Capel has just downgraded it. It now predicts pre-tax profits of £22m for the 15 months to October 31, against its initial forecast of £25.5m for the 12 months to July 31. This puts the shares on a prospective price of 3 on its yesterday's share price.

Meanwhile, Mr Gummer has been left to reflect on the irony that the main reason he did not make prior provision to meet his capital gains tax liabilities was that he believed it was "perfectly reasonable" to expect the shares, then worth around 130p, to go up.

## Acorn appoints new chairman

By Alan Cane

MR ETTORE MORESI, chief executive of Olivetti Office, the Italian company's office systems division, has been appointed chairman of the UK-based Acorn Computer Group.

The move is believed likely to lead to a closer working relationship between Olivetti, Europe's fourth ranked computer supplier, and Acorn, one of the leading suppliers of computer systems to the UK education market.

Olivetti took a 79 per cent stake in the Cambridge-based company in 1985 after a sharp turn-down in the home computer market left Acorn and other personal computer manufacturers in serious difficulties.

Dr Klaus Fritsch, who has responsibilities for research

and development within Olivetti, and Mr Bruno Soggin, who was appointed Acorn chairman for three years when Olivetti bailed the company out, have also joined the board.

Mr Alessandro Ubaldi de Capel, Mr Giuseppe Cuneo and Mr Filippo Demonte have resigned from the Acorn board and will pursue other activities within Olivetti.

Mr Sam Wauchop, Acorn managing director, said yesterday that he hoped the new appointments would bring Acorn and Olivetti closer together.

Olivetti Office, with its acceptance of the need to use equipment from other manufacturers, including Japanese photocopiers and facsimile machines, was a more natural

home for Acorn than the Olivetti Systems and Networks division with its emphasis on sales of Olivetti equipment to large customers.

So far, he said, co-operation between the two companies had been patchy. Acorn had carried out an as yet secret contract worth £1.2m for the parent company but the relationship had brought little in additional computer sales.

Acorn is a pioneer in a new chip design technology called reduced instruction set computing (RISC) which is likely to play an increasingly important role in the design of personal computers and workstations.

It has agreed to form a joint company with Apple Computer and VLSI of the US to exploit the technology.

## Rhode Island crisis fails to affect R Bank of Scotland

By David Lascelles, Banking Editor

The Royal Bank of Scotland said yesterday that the crisis which has hit part of the banking industry in Rhode Island, had not affected its operations in that state.

On Wednesday, the new governor of Rhode Island ordered the closure of more than half of the state's banks because of the collapse of the local deposit insurance fund.

The Royal Bank owns Citizens Bank, the largest state-chartered institution. The bank said that Citizens was not a member of the failed insurance fund, and was still operating normally.

Citizens Bank will be opening its 52 branches statewide today to customers of some of the banks and credit unions which had been closed to enable them to cash federal government and social security cheques, and transact other business.

Mr George Graboyes, Citizens chairman and chief executive, said: "Citizens is prepared to offer these temporary arrangements at the request of the state and federal governments to assure that many individuals without access to their accounts can receive funds which are critical to their day-to-day financial needs."

The Royal Bank bought Citizens for \$440m in 1988.

## Swiss bank's stake in Pittard

By Clay Harris, Consumer Industries Editor

ATTEL & Cie, a Swiss bank with close links to the Italian leather industry, has taken a 3.2 per cent stake in Pittard Garnar, one of Britain's two quoted leather manufacturers.

Pittard's shares rose 8p to 51p yesterday, after jumping 15p over the previous two days. Strong & Fisher, Pittard's UK rival which was recently rescued by Hillside Holdings, had placed a 17.5 per cent stake at 35p on December 17.

Mr John Pittard, managing director, described the Lugano bank's shareholding, which

gives his company a well-connected continental ally, as friendly. SG Warburg had introduced him to Attel several months ago.

Mr Andrea Cattaneo, of Attel, said yesterday he hoped the shareholding would lead to mutual benefits. The bank's Credit Commercial & Moyen Term division specialises in finance for leather traders and machinery manufacturers.

It has not yet done any such business for Pittard. "They haven't offered and we haven't had occasion to ask," Mr Pit-

tard said. He attributed the 80 per cent rise in share price since New Year's Eve to recognition of Pittard's recovery prospects and the break-up of Strong's share sale.

Strong, now 70 per cent owned by Hillside, still holds 9.9 per cent of Pittard. It was forced to sell the rest by Peter Lilley, trade and industry secretary, as the price for allowing the Hillside rescue.

Attel received some of the shares placed last month and raised its holding above 3 per cent on Thursday.

## IMI wins control of B'ham Mint

By Andrew Hill

Birmingham Mint, the engineering and electronics group, has fallen to a £15m hostile bid from IMI, the international engineering company.

IMI declared its increased cash bid unconditional yesterday after completing the acquisition of shares it agreed to buy on Thursday. IMI now owns 42.6 per cent of Birmingham Mint's equity and has received acceptances amounting to 8.41 per cent. The predator yesterday called on Birmingham Mint to recommend the final offers to shareholders "without delay".

Mr Harry Palmer, Birmingham Mint's managing director, said last night that the group was disappointed with the outcome. But he said he could not add anything to his comments because Birmingham Mint was still in discussions with IMI about the immediate future of the company.

IMI, which launched its original offer at the end of October, is likely to move its small Birmingham-based minting operation to the Birmingham Mint site once the deal is complete. The predator yesterday called on Birmingham Mint to recommend the final offers to shareholders "without delay".

## Interest charges hit Banner Homes

Interest rates have "savaged" the results of Banner Homes in the half year ended September 30 1990 and to conserve cash the interim dividend is being passed.

Operating profit came to £700,000, against £705,000 in the six months ended June 30 1990. But interest charges were doubled at £1.02m to leave a pre-tax loss of £288,000 (profit £188,000). Loss per share was 1.8p (earnings 1.3p).

In the 15 months to March 31 1990 the USM-grouped group finished with a profit of £558,000 (£1.2m previous year) and passed the final dividend after an interim of 0.8p (total 2.8p).

## Clarke Nickolls further £6m provision

By Jane Fuller

CLARKE, Nickolls & Coombs, the property group which made an interim pre-tax loss following exceptional charges of £1.9m, announced that the property slump cost it a further £6m in the second half of the year.

The share price fell from 43p to 30p on the news.

Mr Richard Mails, managing director, said he expected almost all the £6m provisions to be taken above the line in the

accounts being prepared for 1990, which would be released in mid-March.

He added that the group had been restructured to ensure its long-term survival.

The charges included writing down the value of development property which the company was retaining instead of selling, leaving it with little exposure to the development market. A development property

in London had recently been sold.

Mr Mails said: "We are now in a position where there is enough rental income to pay the interest bills. In recent months, particularly with high interest rates and one or two upset projects, income was going out faster than it was coming in."

In the first half of 1990, the group had rental income of £1.4m (£1.3m) and development turnover of £6.3m (£4.5m). The operating profit of £1.5m was more than wiped out by exceptional provisions of £1.9m against development properties and investments in associated companies. The pre-tax loss was £282,000.

LONDON RECENT ISSUES									
Issue	Price	Par	Low	High	Low	High	Low	High	Low
100 F.P.	100	100	97	100	97	100	97	100	97
200 F.P.	200	200	198	200	198	200	198	200	198
300 F.P.	300	300	298	300	298	300	298	300	298
400 F.P.	400	400	398	400	398	400	398	400	398
500 F.P.	500	500	498	500	498	500	498	500	498
600 F.P.	600	600	598	600	598	600	598	600	598
700 F.P.	700	700	698	700	698	700	698	700	698
800 F.P.	800	800	798	800	798	800	798	800	798
900 F.P.	900	900	898	900	898	900	898	900	898
1000 F.P.	1000	1000	998	1000	998	1000	998	1000	998

FIXED INTEREST STOCKS									
Issue	Price	Par	Low	High	Low	High	Low	High	Low
100 F.P.	100	100	97	100	97	100	97	100	97
200 F.P.	200	200	198	200	198	200	198	200	198
300 F.P.	300	300	298	300	298	300	298	300	298
400 F.P.	400	400	398	400	398	400	398	400	398
500 F.P.	500	500	498	500	498	500	498	500	498
600 F.P.	600	600	598	600	598	600	598	600	598
700 F.P.	700	700	698	700	698	700	698	700	698
800 F.P.	800	800	798	800	798	800	798	800	798
900 F.P.	900	900	898	900	898	900	898	900	898
1000 F.P.	1000	1000	998	1000	998	1000	998	1000	998

RIGHTS OFFERS									
Issue	Price	Par	Low	High	Low	High	Low	High	Low
100 F.P.	100	100	97	100	97	100	97	100	97
200 F.P.	200	200	198	200	198	200	198	200	198
300 F.P.	300	300	298	300	298	300	298	300	298
400 F.P.	400	400	398	400	398	400	398	400	398
500 F.P.	500	500	498	500	498	500	498	500	498
600 F.P.	600	600	598	600	598	600	598	600	598
700 F.P.	700	700	698	700	698	700	698	700	698
800 F.P.	800	800	798	800	798	800	798	800	798
900 F.P.	900	900	898	900	898	900	898	900	898
1000 F.P.	1000	1000	998	1000	998	1000	998	1000	998

TRADITIONAL OPTIONS									
Issue	Price	Par	Low	High	Low	High	Low	High	Low
100 F.P.	100	100	97	100	97	100	97	100	97
200 F.P.	200	200	198	200	198	200	198	200	198
300 F.P.	300	300	298	300	298	300	298	300	298
400 F.P.	400	400	398	400	398	400	398	400	398
500 F.P.	500	500	498	500	498	500	498	500	498
600 F.P.	600	600	598	600	598	600	598	600	598
700 F.P.	700	700	698	700	698	700	698	700	698
800 F.P.	800	800	798	800	798	800	798	800	798
900 F.P.	900	900							



## ECONOMIC DIARY

TODAY: Foreign ministers of Pakistan, Iran and Turkey meet in Islamabad for talks on regional co-operation.

TOMORROW: Mr John Major, prime minister, visits the Gulf until January 9. Presidential run-off election in Guatemala.

MONDAY: Credit business (November). Retail sales (November-final). London and Scottish banks quarterly analysis of lending (September-November). London sterling certificates of deposit (November). Monetary statistics (including bank and building society balance sheets in November). Bill turnover statistics (November). Sterling commercial paper (November). Talks resume in Bonn on the formation of German Chancellor Helmut Kohl's new coalition. European Community Commission meets. Luxembourg government to discuss programme for the presidency. Parliamentary conference in Helsinki on co-operation in the Baltic Sea area (until January 9). The personal bankruptcy application by BZW and Lehman Brothers against Mr Asil Nadir resumes.

TUESDAY: Personal income, expenditure and saving (third quarter). Industrial and commercial companies (third quarter). European Community holds inter-governmental conference on political union in Brussels. Supreme Soviet opens new session. Sudan will inaugurate its second seaport at Swakin on the Red Sea.

WEDNESDAY: Overseas travel and tourism (October). Advance energy statistics. Comecon, the one-time all-Communist trading organisation, holds two-day meeting in Sofia.

THURSDAY: Housing starts and completions (November). Central American presidents hold two-day meeting in Mexico with Mr Carlos Salinas, Mexico's president. Elections in 10 Pakistani National Assembly seats. The Swedish government presents its budget for fiscal year 1991/92.

FRIDAY: Usable steel production (December). US producer price index for December. Mr Douglas Hurd, foreign secretary, begins tour of Bahrain, Qatar, United Arab Emirates, Jordan and Turkey.

## FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS	Friday January 4 1991										Highs and Lows Index			
	Index	Day's Change	Est. Yield (%)	Est. Div. Yield (%)	Est. P/E Ratio	Est. Div. Yield (%)	Est. P/E Ratio	Index	Index	Index	Index	Index	Index	Index
1 CAPITAL GOODS (188)	709.96	+0.3	14.96	8.16	0.00	707.77	715.03	715.03	715.03	715.03	715.03	715.03	715.03	715.03
2 Building Materials (25)	1111.51	-0.5	16.56	7.08	0.00	1117.59	1134.98	1134.98	1134.98	1134.98	1134.98	1134.98	1134.98	1134.98
3 Contracting, Construction (31)	1111.51	-0.5	16.56	7.08	0.00	1117.59	1134.98	1134.98	1134.98	1134.98	1134.98	1134.98	1134.98	1134.98
4 Electricals (10)	1902.98	+1.5	14.77	7.01	0.00	1874.01	1881.83	1881.83	1881.83	1881.83	1881.83	1881.83	1881.83	1881.83
5 Electronics (26)	1520.59	+0.8	10.53	6.26	0.00	1508.26	1512.30	1512.30	1512.30	1512.30	1512.30	1512.30	1512.30	1512.30
6 Engineering-Aerospace (8)	397.24	+0.4	16.90	7.05	0.00	395.75	396.88	396.88	396.88	396.88	396.88	396.88	396.88	396.88
7 Engineering-General (47)	362.72	+0.1	16.10	7.07	0.00	362.50	364.01	364.01	364.01	364.01	364.01	364.01	364.01	364.01
8 Metals and Metal Forming (8)	399.53	+0.1	22.84	8.61	0.00	399.06	400.85	400.85	400.85	400.85	400.85	400.85	400.85	400.85
9 Motors (13)	288.40	-0.4	17.30	8.34	0.00	289.58	294.18	294.18	294.18	294.18	294.18	294.18	294.18	294.18
10 Other Industrial Materials (20)	1215.75	+0.3	13.82	6.36	0.00	1218.92	1239.21	1243.92	1243.92	1243.92	1243.92	1243.92	1243.92	1243.92
11 CONSUMER GROUP (181)	1215.75	+0.4	10.06	4.28	0.00	1214.21	1218.31	1228.68	1232.90	1232.90	1232.90	1232.90	1232.90	1232.90
12 Breweries and Distillers (21)	1591.30	+1.0	10.24	3.91	0.00	1575.73	1578.67	1591.87	1593.71	1593.71	1593.71	1593.71	1593.71	1593.71
13 Food Manufacturers (20)	1035.62	+1.7	11.19	11.07	0.00	1028.19	1030.91	1030.91	1030.91	1030.91	1030.91	1030.91	1030.91	1030.91
14 Food Retailing (16)	2293.30	+1.2	9.83	3.28	0.00	2286.45	2299.50	2293.15	2297.48	2297.48	2297.48	2297.48	2297.48	2297.48
15 Health and Household (20)	2496.85	+0.9	7.22	3.06	0.00	2518.70	2552.79	2558.62	2566.41	2566.41	2566.41	2566.41	2566.41	2566.41
16 Hotels and Leisure (22)	1204.52	+0.7	11.37	5.65	0.00	1195.72	1204.21	1208.61	1208.61	1208.61	1208.61	1208.61	1208.61	1208.61
17 Media (25)	1215.65	+0.1	12.30	5.59	0.00	1214.20	1219.42	1228.68	1232.90	1232.90	1232.90	1232.90	1232.90	1232.90
18 Packaging & Paper (11)	516.89	+0.1	10.27	6.64	0.00	517.30	518.01	523.99	527.82	527.82	527.82	527.82	527.82	527.82
19 Stores (34)	780.94	+0.1	10.32	4.68	0.00	774.88	781.81	783.69	784.81	784.81	784.81	784.81	784.81	784.81
20 Textiles (11)	406.15	+0.5	14.29	6.57	0.00	404.10	407.46	412.77	415.80	415.80	415.80	415.80	415.80	415.80
21 OTHER GROUPS (112)	997.35	+0.7	12.85	5.99	0.00	990.20	992.11	995.65	1002.94	1002.94	1002.94	1002.94	1002.94	1002.94
22 Business Services (12)	1001.87	+0.2	12.50	5.38	0.00	999.40	998.51	999.45	1001.87	1001.87	1001.87	1001.87	1001.87	1001.87
23 Chemicals (22)	1036.70	+1.2	13.40	6.83	0.00	1028.19	1030.91	1030.91	1030.91	1030.91	1030.91	1030.91	1030.91	1030.91
24 Complementaries (11)	1239.12	+0.5	13.94	8.22	0.00	1232.90	1236.46	1238.68	1240.81	1240.81	1240.81	1240.81	1240.81	1240.81
25 Transport (15)	1887.62	+0.7	13.74	5.38	0.00	1887.62	1892.54	1912.40	1925.42	1925.42	1925.42	1925.42	1925.42	1925.42
26 Electricity (12)	1006.79	+0.3	12.32	7.03	0.00	1007.70	1007.70	1007.70	1007.70	1007.70	1007.70	1007.70	1007.70	1007.70
27 Telephone Networks (3)	1143.55	+0.8	11.42	11.12	0.00	1134.19	1138.40	1141.07	1143.55	1143.55	1143.55	1143.55	1143.55	1143.55
28 Water (10)	2192.83	+0.4	14.29	6.39	0.00	2184.42	2188.91	2194.34	2200.85	2200.85	2200.85	2200.85	2200.85	2200.85
29 Miscellaneous (26)	1556.10	+1.8	12.81	8.33	0.00	1552.91	1554.12	1557.80	1561.35	1561.35	1561.35	1561.35	1561.35	1561.35
30 INDUSTRIAL GROUP (488)	1026.49	+0.5	11.36	5.32	0.00	1023.32	1025.98	1033.85	1039.82	1039.82	1039.82	1039.82	1039.82	1039.82
31 Oil & Gas (20)	1127.40	+0.1	9.85	5.13	0.00	1127.40	1131.20	1137.75	1143.91	1143.91	1143.91	1143.91	1143.91	1143.91
32 SHARE INDEX (21)	1127.40	+0.1	9.85	5.13	0.00	1127.40	1131.20	1137.75	1143.91	1143.91	1143.91	1143.91	1143.91	1143.91
33 FINANCIAL GROUP (18)	706.40	+0.8	6.74	6.74	0.00	706.40	706.40	706.40	706.40	706.40	706.40	706.40	706.40	706.40
34 Banks (9)	754.40	+1.5	21.35	6.13	0.00	743.56	743.56	743.56	743.56	743.56	743.56	743.56	743.56	743.56
35 Insurance (Life) (7)	1250.45	+0.9	-	-	0.00	1239.24	1238.62	1249.68	1259.79	1259.79	1259.79	1259.79	1259.79	1259.79
36 Insurance (General) (6)	609.52	+1.1	-	6.12	0.00	602.65	591.02	604.62	609.52	609.52	609.52	609.52	609.52	609.52
37 Insurance (Fire) (9)	994.30	+0.2	6.31	17.22	0.00	994.75	1005.21	1003.00	1005.21	1005.21	1005.21	1005.21	1005.21	1005.21
38 Merchant Banks (7)	1887.62	+0.7	5.32	5.82	0.00	1887.62	1892.54	1912.40	1925.42	1925.42	1925.42	1925.42	1925.42	1925.42
39 Property (41)	554.14	-0.4	7.12	19.09	0.00	554.14	554.14	554.14	554.14	554.14	554.14	554.14	554.14	554.14
40 Other Financial (20)	250.19	-0.4	10.31	7.23	0.00	250.19	250.19	250.19	250.19	250.19	250.19	250.19	250.19	250.19
41 Investment Trusts (69)	987.68	+0.1	-	4.11	0.00	986.61	994.64	1002.94	1002.94	1002.94	1002.94	1002.94	1002.94	1002.94
42 ALL-SHARE INDEX (647)	1026.21	+0.3	-	5.53	0.00	1019.78	1025.13	1032.25	1039.82	1039.82	1039.82	1039.82	1039.82	1039.82
43 FT-SE 100 SHARE INDEX	2126.11	+0.3	2131.01	2109.21	2117.81	2128.31	2143.51	2160.41	2177.81	2177.81	2177.81	2177.81	2177.81	2177.81

## FIXED INTEREST

PRICE INDICES	Friday January 4 1991										Highs and Lows Index			
	Index	Day's Change	Thru Jan 3	Accrued Interest	Yield to Maturity	Yield to Maturity	Yield to Maturity	Yield to Maturity	Yield to Maturity	Yield to Maturity	Index	Index	Index	Index
British Government	119.09	+0.14	118.92	1.79	0.00	119.09	119.09	119.09	119.09	119.09	119.09	119.09	119.09	119.09
1 Up to 5 years (26)	128.32	-0.05	128.38	2.44	0.00	128.32	128.32	128.32	128.32	128.32	128.32	128.32	128.32	128.32
2 5-15 years (32)	135.40	-0.35	135.88	2.14	0.00	135.40	135.40	135.40	135.40	135.40	135.40	135.40	135.40	135.40
3 Over 15 years (8)	148.34	+0.53	147.56	1.48	0.00	148.34	148.34	148.34	148.34	148.34	148.34	148.34	148.34	148.34
4 Irredeemables (6)	127.62	-0.03	127.63	2.21	0.00	127.62	127.62	127.62	127.62	127.62	127.62	127.62	127.62	127.62
5 All Stocks (12)	157.24	+0.02	157.22	0.77	0.00	157.24	157.24	157.24	157.24	157.24	157.24	157.24	157.24	157.24
6 Up to 5 years (10)	144.57	-0.03	144.62	0.78	0.00	144.57	144.57	144.57	144.57	144.57	144.57	144.57	144.57	144.57
7 Over 5 years (10)	145.40	-0.03	145.44	0.78	0.00	145.40	145.40	145.40	145.40	145.40	145.40	145.40	145.40	145.40
8 All Stocks (12)	104.23	-0.05	104.28	2.24	0.00	104.23	104.23	104.23	104.23	104.23	104.23	104.23	104.23	104.23
9 Rate & Loans (54)	104.23	-0.05	104.28	2.24	0.00	104.23	104.23	104.23	104.23	104.23	104.23	104.23	104.23	104.23

Closing Index 2109.2; 9 am 2118.0; 10 am 2129.1; 11 am 2128.7; Noon 2131.0; 1 pm 2130.1; 2 pm 2128.9; 3 pm 2127.5; 4 pm 2127.0; 5 pm 2126.8

Equity section or group		Base date	Base value	Equity section or group		Base date	Base value	Equity section or group		Base date	Base value
Business Services		3/12/90	999.45	Telephone Networks		3/12/84	317.92	Food Manufacturing		29/12/67	114.0
Electricity		3/12/90	999.45	Electronics		3/12/83	1646.65	Food Retailing		29/12/67	114.13
Media		3/12/90	1228.68	Other Industrial Materials		3/12/80	287.41	Insurance Brokers		29/12/67	96.67
Engineering - Aerospace		29/12/69	486.00	Health/Household Products		3/12/77	261.77	All Other		10/4/62	100.00
Engineering - General		29/12/69	362.72	Business Services		3/12/77	317.92	Banks		30/4/62	100.00
Engineering - Metals		29/12/69	399.53	Engineering - General		3/12/77	128.20	Do. Index-limited		30/4/82	100.00
Engineering - Motors		29/12/69	288.40	Other Financial		3/12/70	128.06	Debt & Loans		3/12/77	100.00
Engineering - Other		3/12/86	1114.07								
F1 Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES											



















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مكتبة الأصيل



December 1990 III



## WORLD STOCK MARKETS

## US MARKETS (3pm)

January 4

DOW JONES

2573.51

-10.43

-0.41%

S&amp;P 500

321.91

-0.15

-0.05%

NASDAQ

217.12

-0.12

-0.06%

NYSE

176.41

-0.18

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AMEX

304.78

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-0.10

-0.03%

NASDAQ

217.12

-0.12

-0.06%

NYSE

176.41

-0.18

-0.10%

AMEX

304.78

-0.10

-0.03%

NASDAQ

217.12

-0.12

-0.06%

NYSE

176.41

-0.18

-0.10%

AMEX

304.78

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-0.03%

NASDAQ

217.12

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NYSE

176.41

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AMEX

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-0.03%

NASDAQ

217.12

-0.12

-0.06%

NYSE

176.41

-0.18

-0.10%

## US MARKETS (3pm)

January 4

DOW JONES

2573.51

-10.43

-0.41%

S&amp;P 500

321.91

-0.15

-0.05%

NASDAQ

217.12

-0.12

-0.06%

NYSE

176.41

-0.18

-0.10%

AMEX

304.78

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-0.03%

NASDAQ

217.12

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NYSE

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AMEX

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NASDAQ

217.12

-0.12

-0.06%

NYSE

176.41

-0.18

-0.10%

AMEX

304.78

-0.10

-0.03%



WORLD STOCK MARKETS

AMERICA

Hopes of peace help Dow make modest advance

Wall Street

RENEWED hopes of a peaceful resolution to the Gulf crisis helped US equities move modestly higher yesterday morning, writes Karen Zagor in New York.

At 2 pm, the Dow Jones Industrial Average was up 1.33 at 2,583.17 with advancing prices in most sectors. The market's leading declines were in the technology sector, which closed down 37.13 at 2,573.51.

Equities turned higher on news that Mr James Baker, US secretary of state, would meet with Mr Tariq Aziz, Iraqi foreign minister, in Geneva on January 5.

The news that non-farm payrolls had fallen only 76,000 in December, far less than the 100,000 that many economists had expected, also helped the stock market.

The unemployment report, which had been expected to show continued sharp deterioration of the labour market, had a dampening effect on the bond market. At midday, the treasury's benchmark 30-year bond was 10 1/8 at 101.30, its first loss of the new year. The bond market had hoped for further easing of the Federal Reserve to ease monetary policy.

In the stock market, Tennessean fell 1/4 at \$44.40 after Kidder, Peabody cut its investment rating on the stock and lowered its earnings estimate.

General Dynamics gained 1/4 at \$55.75 and McDonnell Douglas rose 1/4 to \$38.75 after the US Navy said it would buy 100 F-15 fighter jets.

A number of pharmaceutical issues moved lower after the start of the new year, with Bristol-Myers Squibb, American Home Products and Abbott Laboratories all down.

Wall Street's performance reflected the fact that most fund managers had sold what they viewed as overvalued stocks, reflecting hopes that the Gulf crisis could lead to a rally in the stock market.

Mr Wanke said European interest rates would fall in the first quarter, and that the sheer weight of funds damaged up by the Gulf crisis could produce a rally in the stock market.

US pension funds extend their overseas investments

Antonia Sharpe explains that the need to reduce risk is tempting the Americans to look abroad

US PENSION funds are increasing their overseas investment in an attempt to offset slowing returns, and in the process are diversifying their portfolios.

Mr Roger Smith, partner at Greenwich Associates in Greenwich, Connecticut, says that the decline in foreign markets has not dampened the pursuit of global investment.

The gap between expected returns from foreign and US markets has widened. "Many funds consider that now is the right time to increase their commitment to foreign markets," following their correction last year.

Data from InterSec Research Corp, the consultants based in Stamford, Connecticut, show that Erisa funds' overseas investment had jumped from \$86bn by the end of 1989 to \$98bn by June 1990.

However, the dollar's volatility in the mid-1980s, and growth support for international diversification as a means of reducing risk have encouraged Erisa funds to allocate more to overseas markets.

Mr Gunter Ecklebe at Frank Russell Company, the Thompson, Washington-based consultancy, says that in the early stages of international investment, managers concentrated on maximizing returns since most markets around the world were in

or about to enter a bull phase. "The buzzword was risk reduction," Mr Ecklebe says. "Incremental returns are still important but a higher priority is given to the reduction of volatility within a portfolio."

Mr Smith says that the 1974 Employee Retirement Income Security Act, which established minimum reporting requirements for the industry, very few of them ventured abroad until about 10 years ago.

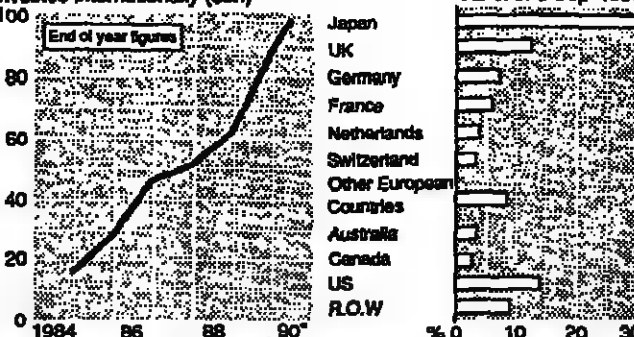
The size of the US pension fund industry has grown to more than \$1 trillion, with the domestic investment spectrum seen as more than catering to their needs.

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US tax-exempt funds International allocation

Invested internationally (\$bn)



Associates is more optimistic, predicting that 7 to 8 per cent of total Erisa funds will be invested abroad by 1993.

Frank Russell, which manages roughly 10 per cent of all assets invested outside the United States, estimates that by 1995 US and Japanese pension funds will be the largest players in the international markets with about \$1 trillion each in non-domestic assets, followed by the UK with \$500 billion.

The lion's share of Erisa funds' international assets, estimated at \$800 billion in late 1989, is invested in Europe, although it expects this figure to grow rapidly to around \$1 trillion by 1995. However, it also

Europe is overweighted in the portfolios of more committed managers, indicating a 37 per cent ratio in these portfolios against the 26 to 28 per cent that Europe contributes to the market capitalisation of leading world indices.

Around 42 per cent of the assets monitored by Frank Russell are invested in Europe (UK with 12 per cent of the total, Germany with 7.3 per cent and France with 6.2 per cent) at the end of September, up from 25.5 per cent in Japan.

Uncertainty in the Soviet Union and Eastern Europe could lead to a swift diversion of funds to other markets, in the Far East or South America. "The risk of investing in Europe has increased since it is now seen that the road from totalitarianism to capitalism will not be smooth," says Mr Smith at Greenwich Associates.

The majority of Erisa funds have been underweight in Japan for several years, says Mr Smith. "There could be a shift of funds away from Europe to Tokyo in the new year."

Salomon Brothers International estimates that Erisa funds' international portfolio weighting in Japan is 52.1 per cent, down from a record 55.1 per cent in 1989, in spite of the financial

distress in the Japanese property market, and reduce continental European to 11 per cent from 37.7 per cent.

"Given that the Middle East and real estate problems are settled, the [Japanese] market will rebound strongly to reflect the slowing economy and continued interest rates," Salomon says in its latest outlook.

There is evidence of the diversion of funds from continental Europe - and particularly Germany - in particular, says Mr David Strongin, director of international finance at the Investment Industry Association in New York. Net equity inflows into Germany were \$1.2 billion in DM3.3bn in the first half of 1990, one tenth of DM23.3bn.

On the other hand, emerging markets such as Mexico have received large amounts of US capital, says Mr Strongin. "The Mexican government is reviving the troubled Mexican economy, and hopes of an early trade agreement, pushed US net investment in Mexican equities to a record \$300m in the second quarter of 1990, after net acquisitions of only \$80m in the first quarter."

ASIA PACIFIC

Nikkei starts year on positive note as yen and bonds strengthen

Tokyo

SHARE PRICES started the year on a positive note, a stronger yen and soaring bond prices triggered by expectations of a peaceful resolution of the Gulf crisis contributed to the optimism, writes Emilia D'Amico in Tokyo.

In the half-day session, the Nikkei average closed at 14,069.18, up 220.47, having recovered the psychologically important level of 14,000 for the first time in trading sessions. After opening at 13,847.48, the index fell to the day's low of 13,743.21 but then climbed to a high of 14,069.18. Volume was a light 1.74 billion shares.

The Toxix index of 10 first section stocks rose 7.09 to 1,740.92. Losses outnumbered gains by 40 to 338, with 11 issues unchanged. In London, the FTSE 100 index slipped 1.33 to 1,335.37.

Trading in Tokyo continued on large-cap stocks, while smaller issues found ground. The Toxix index of 10 first section stocks rose 7.09 to 1,740.92.

The sharp drop in bond yields, encouraged by Washington's proposal to hold talks with Iraq in Geneva next week, triggered buy orders of interest rate-sensitive, large-capital issues. Nippon Steel gained 1/4 at ¥1,000 and Tokyo Electric Power added ¥100 to ¥3,800. NTT climbed ¥19,000 to ¥998,000 after briefly recovering the ¥1m level.

Trading houses gained on expectations of new business opportunities with the British Union. Citi Group rose ¥100 in value on news that the trading house will start a feasibility study for the exploration of oil in the North Sea.

Building contractors were strong. Kajima Corp up ¥100 to ¥1,630 and Obayashi Corp gained ¥40 to ¥1,170. The government's plan to spend ¥450 billion on public works over the next three years is expected to boost the sector.

Exporters were weak as the yen strengthened. Sega Enterprises, the video maker, lost ¥100 to ¥1,400. The issue was the biggest gainer last year, rising 15 per cent.

The Nikkei average in Osaka fell 217.43 to 24,812. Volume remained low with 15m shares changing hands.

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Roundup

THE US effort to talk with Iraq lifted most major US stock indices yesterday.

BONG KONG was buoyed by hopes of lower interest rates. The Hang Seng index advanced 41.73 to 1,478.14, although turnover remained thin at HK\$337m, up from HK\$333m. Cheung Kong, the property group, gained 10 cents to HK\$4.10 in the biggest volume of the day after taking a stake of almost 10 per cent in Hopewell Holdings, the construction group.

SINGAPORE also responded to the US initiative. The Straits Times industrial index gained 11.80 to 2,412. Volume remained low with 15m shares changing hands.

AMERICANS - Contd

1990/91	High	Low	Stock	Price	% Chg	Vol	Ind. Ret.
118	118.00	117.00	Chen, Robert Corp.	117.00	+0.88	100	1.1
119	119.00	118.00	Chrysler 1st	118.00	+0.84	100	1.1
120	120.00	119.00	Citicorp 1st	119.00	+0.84	100	1.1
121	121.00	120.00	Citicorp 2nd	120.00	+0.84	100	1.1
122	122.00	121.00	Citicorp 3rd	121.00	+0.84	100	1.1
123	123.00	122.00	Citicorp 4th	122.00	+0.84	100	1.1
124	124.00	123.00	Citicorp 5th	123.00	+0.84	100	1.1
125	125.00	124.00	Citicorp 6th	124.00	+0.84	100	1.1
126	126.00	125.00	Citicorp 7th	125.00	+0.84	100	1.1
127	127.00	126.00	Citicorp 8th	126.00	+0.84	100	1.1
128	128.00	127.00	Citicorp 9th	127.00	+0.84	100	1.1
129	129.00	128.00	Citicorp 10th	128.00	+0.84	100	1.1

EUROPE

Bourses rise in thin and cautious trading

BOURSES MOVED higher in thin and cautious trading yesterday, but the rise came mostly in cautious trading and light turnover, writes Our Markets Staff.

FRANKFURT regained some ground in a technical correction following a 2 per cent drop in mid-December. The DAX index rose 1.33 to 2,583.17.

Volume rose from DM2.4bn in DM3.3bn. Mr Wanke, who manages the Frankfurt-based fund, said the rise reflected the fact that most fund managers had sold what they viewed as overvalued stocks, reflecting hopes that the Gulf crisis could lead to a rally in the stock market.

Mr Wanke said European interest rates would fall in the first quarter, and that the sheer weight of funds damaged up by the Gulf crisis could produce a rally in the stock market.

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## LONDON SHARE SERVICE

### INDUSTRIALS (Miscel.)—Contd.

1949/50 Stock									
127	128	129	130	131	132	133	134	135	136
137	138	139	140	141	142	143	144	145	146
147	148	149	150	151	152	153	154	155	156
157	158	159	160	161	162	163	164	165	166
167	168	169	170	171	172	173	174	175	176
177	178	179	180	181	182	183	184	185	186
187	188	189	190	191	192	193	194	195	196
197	198	199	200	201	202	203	204	205	206
207	208	209	210	211	212	213	214	215	216
217	218	219	220	221	222	223	224	225	226
227	228	229	230	231	232	233	234	235	236
237	238	239	240	241	242	243	244	245	246
247	248	249	250	251	252	253	254	255	256
257	258	259	260	261	262	263	264	265	266
267	268	269	270	271	272	273	274	275	276
277	278	279	280	281	282	283	284	285	286
287	288	289	290	291	292	293	294	295	296
297	298	299	300	301	302	303	304	305	306
307	308	309	310	311	312	313	314	315	316
317	318	319	320	321	322	323	324	325	326
327	328	329	330	331	332	333	334	335	336
337	338	339	340	341	342	343	344	345	346
347	348	349	350	351	352	353	354	355	356
357	358	359	360	361	362	363	364	365	366
367	368	369	370	371	372	373	374	375	376
377	378	379	380	381	382	383	384	385	386
387	388	389	390	391	392	393	394	395	396
397	398	399	400	401	402	403	404	405	406
407	408	409	410	411	412	413	414	415	416
417	418	419	420	421	422	423	424	425	426
427	428	429	430	431	432	433	434	435	436
437	438	439	440	441	442	443	444	445	446
447	448	449	450	451	452	453	454	455	456
457	458	459	460	461	462	463	464	465	466
467	468	469	470	471	472	473	474	475	476
477	478	479	480	481	482	483	484	485	486
487	488	489	490	491	492	493	494	495	496
497	498	499	500	501	502	503	504	505	506
507	508	509	510	511	512	513	514	515	516
517	518	519	520	521	522	523	524	525	526
527	528	529	530	531	532	533	534	535	536
537	538	539	540	541	542	543	544	545	546
547	548	549	550	551	552	553	554	555	556
557	558	559	560	561	562	563	564	565	566
567	568	569	570	571	572	573	574	575	576
577	578	579	580	581	582	583	584	585	586
587	588	589	590	591	592	593	594	595	596
597	598	599	600	601	602	603	604	605	606
607	608	609	610	611	612	613	614	615	616
617	618	619	620	621	622	623	624	625	626
627	628	629	630	631	632	633	634	635	636
637	638	639	640	641	642	643	644	645	646
647	648	649	650	651	652	653	654	655	656
657	658	659	660	661	662	663	664	665	666
667	668	669	670	671	672	673	674	675	676
677	678	679	680	681	682	683	684	685	686
687	688	689	690	691	692	693	694	695	696
697	698	699	700	701	702	703	704	705	706
707	708	709	710	711	712	713	714	715	716
717	718	719	720	721	722	723	724	725	726
727	728	729	730	731	732	733	734	735	736
737	738	739	740	741	742	743	744	745	746
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757	758	759	760	761	762	763	764	765	766
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777	778	779	780	781	782	783	784	785	786
787	788	789	790	791	792	793	794	795	796
797	798	799	800	801	802	803	804	805	806
807	808	809	810	811	812	813	814	815	816
817	818	819	820	821	822	823	824	825	826
827	828	829	830	831	832	833	834	835	836
837	838	839	840	841	842	843	844	845	846
847	848	849	850	851	852	853	854	855	856
857	858	859	860	861	862	863	864	865	866
867	868	869	870	871	872	873	874	875	876
877	878	879	880	881	882	883	884	885	886
887	888	889	890	891	892	893	894	895	896
897	898	899	900	901	902	903	904	905	906
907	908	909	910	911	912	913	914	915	916
917	918	919	920	921	922	923	924	925	926
927	928	929	930	931	932	933	934	935	936
937	938	939	940	941	942	943	944	945	946
947	948	949	950	951	952	953	954	955	956
957	958	959	960	961	962	963	964	965	966
967	968	969	970	971	972	973	974	975	976
977	978	979	980	981	982	983	984	985	986
987	988	989	990	991	992	993	994	995	996
997	998	999	1000	1001	1002	1003	1004	1005	1006
1007	1008	1009	1010	1011	1012	1013	1014	1015	1016
1017	1018	1019	1020	1021	1022	1023	1024	1025	1026
1027	1028	1029	1030	1031	1032	1033	1034	1035	1036
1037	1038	1039	1040	1041	1042	1043	1044	1045	1046
1047	1048	1049	1050	1051	1052	1053	1054	1055	1056
1057	1058	1059	1060	1061	1062	1063	1064	1065	1066
1067	1068	1069	1070	1071	1072	1073	1074	1075	1076
1077	1078	1079	1080	1081	1082	1083	1084	1085	1086
1087	1088	1089	1090	1091	1092	1093	1094	1095	1096
1097	1098	1099	1100	1101	1102	1103	1104	1105	1106
1107	1108	1109	1110	1111	1112	1113	1114	1115	1116
1117	1118	1119	1120	1121	1122	1123	1124	1125	1126
1127	1128	1129	1130	1131	1132	1133	1134	1135	1136
1137	1138	1139	1140	1141	1142	1143	1144	1145	1146
1147	1148	1149	1150	1151	1152	1153	1154	1155	1156
1157	1158	1159	1160	1161	1162	1163	1164	1165	1166
1167	1168	1169	1170	1171	1172	1173	1174	1175	1176
1177	1178	1179	1180	1181	1182	1183	1184	1185	1186
1187	1188	1189	1190	1191	1192	1193	1194	1195	1196
1197	1198	1199	1200	1201	1202	1203	1204	1205	1206
1207	1208	1209	1210	1211	1212	1213	1214	1215	1216
1217	1218	1219	1220	1221	1222	1223	1224	1225	1226
1227	1228	1229	1230	1231	1232	1233	1234	1235	1236
1237	1238	1239	1240	1241	1242	1243	1244	1245	1246
1247	1248	1249	1250	1251	1252	1253	1254	1255	1256
1257	1258	1259	1260	1261	1262	1263	1264	1265	1266
1267	1268	1269	1270	1271	1272	1273	1274	1275	1276
1277	1278	1279	1280	1281	1282	1283	1284	1285	1286
1287	1288	1289	1290	1291	1292	1293	1294	1295	1296
1297	1298	1299	1300	1301	1302	1303	1304	1305	1306
1307	1308	1309	1310	1311	1312	1313	1314	1315	1316
1317	1318	1319	1320	1321	1322	1323	1324	1325	1326
1327	1328	1329	1330	1331	1332	1333	1334	1335	1336
1337	1338	1339	1340	1341	1342	1343	1344	1345	1346
1347	1348	1349	1350	1351	1352	1353	1354	1355	1356
1357	1358	1359	1360	1361	1362	1363	1364	1365	1366
1367	1368	1369	1370	1371	1372	1373	1374	1375	1376
1377	1378	1379	1380	1381	1382	1383	1384	1385	1386
1387	1388	1389	1390	1391	1392	1393	1394	1395	1396
1397	1398	1399	1400	1401	1402	1403	1404	1405	1406
1407	1408	1409	1410	1411	1412	1413	1414	1415	1416
1417	1418	1419	1420	1421	1422	1423	1424	1425	1426
1427	1428	1429	1430	1431	1432	1433	1434	1435	1436
1437	1438	1439	1440	1441	1442	1443	1444	1445	1446
1447	1448	1449	1450	1451	1452	1453	1454	1455	1456
1457	1458	1459	1460	1461	1462	1463	1464	1465	1466
1467	1468	1469	1470	1471	1472	1473	1474		

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**MINES – Contd**

1990/91		1991/92		1992/93		1993/94		1994/95		1995/96		1996/97		1997/98		1998/99		1999/00		2000/01		2001/02		2002/03		2003/04		2004/05		2005/06		2006/07		2007/08		2008/09		2009/10		2010/11		2011/12		2012/13		2013/14		2014/15		2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/25		2025/26		2026/27		2027/28		2028/29		2029/30		2030/31		2031/32		2032/33		2033/34		2034/35		2035/36		2036/37		2037/38		2038/39		2039/40		2040/41		2041/42		2042/43		2043/44		2044/45		2045/46		2046/47		2047/48		2048/49		2049/50		2050/51		2051/52		2052/53		2053/54		2054/55		2055/56		2056/57		2057/58		2058/59		2059/60		2060/61		2061/62		2062/63		2063/64		2064/65		2065/66		2066/67		2067/68		2068/69		2069/70		2070/71		2071/72		2072/73		2073/74		2074/75		2075/76		2076/77		2077/78		2078/79		2079/80		2080/81		2081/82		2082/83		2083/84		2084/85		2085/86		2086/87		2087/88		2088/89		2089/90		2090/91		2091/92		2092/93		2093/94		2094/95		2095/96		2096/97		2097/98		2098/99		2099/00		2100/01		2101/02		2102/03		2103/04		2104/05		2105/06		2106/07		2107/08		2108/09		2109/10		2110/11		2111/12		2112/13		2113/14		2114/15		2115/16		2116/17		2117/18		2118/19		2119/20		2120/21		2121/22		2122/23		2123/24		2124/25		2125/26		2126/27		2127/28		2128/29		2129/30		2130/31		2131/32		2132/33		2133/34		2134/35		2135/36		2136/37		2137/38		2138/39		2139/40		2140/41		2141/42		2142/43		2143/44		2144/45		2145/46		2146/47		2147/48		2148/49		2149/50		2150/51		2151/52		2152/53		2153/54		2154/55		2155/56		2156/57		2157/58		2158/59		2159/60		2160/61		2161/62		2162/63		2163/64		2164/65		2165/66		2166/67		2167/68		2168/69		2169/70		2170/71		2171/72		2172/73		2173/74		2174/75		2175/76		2176/77		2177/78		2178/79		2179/80		2180/81		2181/82		2182/83		2183/84		2184/85		2185/86		2186/87		2187/88		2188/89		2189/90		2190/91		2191/92		2192/93		2193/94		2194/95		2195/96		2196/97		2197/98		2198/99		2199/00		2200/01		2201/02		2202/03		2203/04		2204/05		2205/06		2206/07		2207/08		2208/09		2209/10		2210/11		2211/12		2212/13		2213/14		2214/15		2215/16		2216/17		2217/18		2218/19		2219/20		2220/21		2221/22		2222/23		2223/24		2224/25		2225/26		2226/27		2227/28		2228/29		2229/30		2230/31		2231/32		2232/33		2233/34		2234/35		2235/36		2236/37		2237/38		2238/39		2239/40		2240/41		2241/42		2242/43		2243/44		2244/45		2245/46		2246/47		2247/48		2248/49		2249/50		2250/51		2251/52		2252/53		2253/54		2254/55		2255/56		2256/57		2257/58		2258/59		2259/60		2260/61		2261/62		2262/63		2263/64		2264/65		2265/66		2266/67		2267/68		2268/69		2269/70		2270/71		2271/72		2272/73		2273/74		2274/75		2275/76		2276/77		2277/78		2278/79		2279/80		2280/81		2281/82		2282/83		2283/84		2284/85		2285/86		2286/87		2287/88		2288/89		2289/90		2290/91		2291/92		2292/93		2293/94		2294/95		2295/96		2296/97		2297/98		2298/99		2299/00		2300/01		2301/02		2302/03		2303/04		2304/05		2305/06		2306/07		2307/08		2308/09		2309/10		2310/11		2311/12		2312/13		2313/14		2314/15		2315/16		2316/17		2317/18		2318/19		2319/20		2320/21		2321/22		2322/23		2323/24		2324/25		2325/26		2326/27		2327/28		2328/29		2329/30		2330/31		2331/32		2332/33		2333/34		2334/35		2335/36		2336/37		2337/38		2338/39		2339/40		2340/41		2341/42		2342/43		2343/44		2344/45		2345/46		2346/47		2347/48		2348/49		2349/50		2350/51		2351/52		2352/53		2353/54		2354/55		2355/56		2356/57		2357/58		2358/59		2359/60		2360/61		2361/62		2362/63		2363/64		2364/65		2365/66		2366/67		2367/68		2368/69		2369/70		2370/71		2371/72		2372/73		2373/74		2374/75		2375/76		2376/77		2377/78		2378/79		2379/80		2380/81		2381/82		2382/83		2383/84		2384/85		2385/86		2386/87		2387/88		2388/89		2389/90		2390/91		2391/92		2392/93		2393/94		2394/95		2395/96		2396/97		2397/98		2398/99		2399/00		2400/01		2401/02		2402/03		2403/04		2404/05		2405/06		2406/07		2407/08		2408/09		2409/10		2410/11		2411/12		2412/13		2413/14		2414/15		2415/16		2416/17		2417/18		2418/19		2419/20		2420/21		2421/22		2422/23		2423/24		2424/25		2425/26		2426/27		2427/28		2428/29		2429/30		2430/31		2431/32		2432/33		2433/34		2434/35		2435/36		2436/37		2437/38		2438/39		2439/40		2440/41		2441/42		2442/43		2443/44		2444/45		2445/46		2446/47		2447/48		2448/49		2449/50		2450/51		2451/52		2452/53		2453/54		2454/55		2455/56		2456/57		2457/58		2458/59		2459/60		2460/61		2461/62		2462/63		2463/64		2464/65		2465/66		2466/67		2467/68		2468/69		2469/70		2470/71		2471/72		2472/73		2473/74		2474/75		2475/76		2476/77		2477/78		2478/79		2479/80		2480/81		2481/82		2482/83		2483/84		2484/85		2485/86		2486/87		2487/88		2488/89		2489/90		2490/91		2491/92		2492/93		2493/94		2494/95		2495/96		2496/97		2497/98		2498/99		2499/00		2500/01		2501/02		2502/03		2503/04		2504/05		2505/06		2506/07		2507/08		2508/09		2509/10		2510/11		2511/12		2512/13		2513/14		2514/15		2515/16		2516/17		2517/18		2518/19		2519/20		2520/21		2521/22		2522/23		2523/24		2524/25		2525/26		2526/27		2527/28		2528/29		2529/30		2530/31		2531/32		2532/33		2533/34		2534/35		2535/36		2536/37		2537/38		2538/39		2539/40		2540/41		2541/42		2542/43		2543/44		2544/45		2545/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129	143	154	164	174	184	194	204	214	224	234	244	254	264	274	284	294	304	314	324	334	344	354	364	374	384	394	404	414	424	434	444	454	464	474	484	494	504	514	524	534																																															

[illegible]

**NOTES**

Stock Exchange dealing classifications are indicated by security names in Alpha-Beta-C-G categories. **1** and **2** are listed on the NYSE, **3** on the AmEx and **4** on the OTC. **5** and **6** are listed on the AmEx and **7** on the OTC. **8** and **9** are listed on the OTC. **10** and **11** are listed on the OTC. **12** and **13** are listed on the OTC. **14** and **15** are listed on the OTC. **16** and **17** are listed on the OTC. **18** and **19** are listed on the OTC. **20** and **21** are listed on the OTC. **22** and **23** are listed on the OTC. **24** and **25** are listed on the OTC. **26** and **27** are listed on the OTC. **28** and **29** are listed on the OTC. **30** and **31** are listed on the OTC. **32** and **33** are listed on the OTC. **34** and **35** are listed on the OTC. **36** and **37** are listed on the OTC. **38** and **39** are listed on the OTC. **40** and **41** are listed on the OTC. **42** and **43** are listed on the OTC. **44** and **45** are 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Dec 2011

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Treasury draws up proposals to gain EC support for its European currency plan

## UK may offer deal over hard Ecu

By Peter Marsh in London and David Buchan in Luxembourg

THE UK may drop its proposal for a new institution to manage its hard Ecu, in exchange for support from the European Commission to introduce the currency over the next few years.

These indications of more flexible thinking by the UK on European economic and monetary union (Emu) are likely to be welcomed by a number of other European countries, although they will do little to allay German opposition to the hard Ecu proposal.

The new currency would be a financial unit to be used by European countries in conjunction with existing currencies.

The possibility that the UK may abandon its insistence on a European Monetary Fund (EMF) to manage the hard Ecu comes as the UK Treasury prepares to issue on Tuesday new

proposals for the hard Ecu which will provide a legal framework for creating it.

These proposals will be presented to the following week by senior European officials, who are meeting under the auspices of the inter-governmental conference on Emu which started in December last month.

Under the UK plans, the hard Ecu would carry a government guarantee that it could never be devalued.

It would be a business and commerce unit that would be used for all financial transactions.

The UK's proposals on Tuesday will centre on the legal requirements for setting up an EMF to administer the currency.

The UK would like to see this introduced after 1994, during

the second stage of Emu. However, it is proposed to limit proposals to countries which would create different arrangements for managing the currency.

Under one plan, the hard Ecu could be administered by the planned European System of Central Banks (ESCB) - a new central bank for the whole of Europe plus existing national central banks - which a number of countries would like to see established in 1994.

But a more widely obvious need to set up a new institution separate from the ESCB.

Some countries have seen Britain's EMF proposal as a way of setting the EMF up.

The UK insists, however, that handing over stewardship of the hard Ecu to the ESCB

would occur only if the rest of Europe agreed to the main principle behind the currency.

The hard Ecu could be used as a currency for Europe, displacing other suggestions that the existing hard Ecu - a national financial unit based on the main European currencies - would ultimately do this job.

Officials in the Luxembourg government, which this week took over the European Community presidency, will be in charge of the meetings on Emu during the first half of this year. They welcome the steps of flexibility from Mr John Major, the UK prime minister, and Mr Norman Lamont, his chancellor.

"We don't want to rush a country which needs time to evolve its position", one

Luxembourg official said. However, the German finance ministry, together with the French, is not keen on setting up an embryo form of the ESCB until agreement has been reached on a new, parallel currency which it could manage.

Germany in particular has opposed the hard Ecu, which it believes is unnecessary and might lead to inflation.

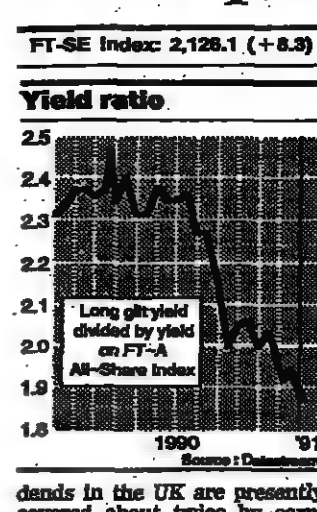
Instead of a solution to the next stage of Emu based on the ESCB, the German and French finance ministries would like to see in 1994 the creation of a Council of Central Bank Governors.

That would be a heavily diluted version of the ESCB and would be based on a more powerful version of the existing committee that meets in Basle.

## The message of the oil price

There is something not quite right about the price of oil. In recent months, as apprehension about the Gulf has risen, the oil price has fallen. At around \$25.50, it is now only 10 per cent higher than this time last year. Only one rational explanation comes to mind. The world's bond and equity markets may suspect that in the absence of war they are cheap. The oil market thinks that without war it is dear.

The problem is simply one of an unexpected imbalance between supply and demand. The vicious combination of a higher oil price and the recession to which it has contributed has sharply depressed consumption. Opec has meanwhile contrived to increase output to such an extent that the lack of supply from Iraq and Kuwait is no longer a problem. The result is that, in the middle of winter, the surplus which had earlier dogged the world market has disappeared. The oil price is now \$25.50, a level which looks like breaking up.



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## Nissan UK to start legal action against Japanese car maker

By Kevin Done, Motor Industry Correspondent

NISSAN UK, the privately-owned distributor of Nissan vehicles in Britain, is to start legal proceedings against Japan's second largest car maker as the latest move in their long-running conflict.

Nissan Motor announced last week it had given NUK notice to terminate its concession as the sole importer and distributor of Nissan vehicles in the UK with effect from the end of 1991.

NUK said yesterday it had concluded that it had "no alternative but to commence proceedings against Nissan Japan".

The dramatic confrontation between the world's fifth-largest car maker and its independent importer/distributor in the UK - Nissan's biggest market worldwide after Japan and the US - follows several years of deepening conflict in which the two companies have failed repeatedly to agree terms for the earlier planned takeover of NUK by Nissan.

NUK said that its conduct had been "entirely reasonable" with the terms of its 1971 franchise agreement with Nissan, and that there were "no grounds on which Nissan Japan can validly terminate the Distribution Agreement".

In a letter sent yesterday to Nissan Motor in Tokyo, Herbert Smith, NUK's legal adviser, said that the "purported notice is both invalid and of no effect".

Nissan Motor said yesterday that it was "wholly confident" that its "purported notice" was valid and that NUK's performance had not been consistent with the 1971 agreement.

It is expected to be some time before NUK decides what proceedings to take against the car maker, and Herbert Smith said that Nissan

was "not in a position to terminate" the agreement.

NUK said that the proceedings would take account of the \$250m investment it had made "at Nissan Japan's request" and the substantial market share it had built up since 1971.

Mr Colin Botnar, NUK chairman and managing director, said that Nissan's policies over the past few years, including its failure to respond to opportunities to buy the company at a fair price, and the service of its in-land notice, were an attempt to obtain the benefit of our efforts at no cost.

NUK, which made pre-tax profits of \$25m on a turnover of \$200m in the financial year to the end of July 1990, according to still unaudited figures, has a workforce of about 270, mainly at its Worthing headquarters.

The company is controlled by Mr Botnar, its 77-year-old chairman and managing director, a German entrepreneur whose conflict with Nissan has become increasingly public in the last 12 months as the two companies have conducted an open row over Nissan's pricing policy in the UK.

The dispute between Nissan Motor and NUK has sent shockwaves through the 380 Nissan dealers, which are co-ordinated by NUK, in its role as importer/distributor. The network includes 170 AFD dealers controlled by Mr Botnar, which accounts for more than 80 per cent of the cars sold in the UK.

Nissan's sales for more than 10 years in the UK car market, more than double its nearest Japanese rival, with sales last year of 108,000 cars and 7,000 commercial vehicles.



Pause for applause: Tokyo Stock Exchange share dealers and employees, seen clapping, clap hands yesterday to open the first day of trading for the new year

## Double glazing group goes into receivership

By Clay Harris, Consumer Affairs Editor

STORMSEAL, Britain's third largest double glazing group, collapsed yesterday, putting at risk up to 3,000 jobs. Some customers may lose their deposits.

Receivers from accountants Grant Thornton, were appointed to Stormseal's holding company and eight trading subsidiaries after yesterday's talks on Thursday with Svenska Handelsbanken, its main bank, failed to solve the group's cash-flow crisis.

Mr Allan Griffiths, one of Stormseal's creditors, said he could give no indication of the size of its debts.

With annual turnover of £100m, Stormseal is behind only Everest, a subsidiary of MRCaradon, and Anglian, a recent management buy-out from BET, in the UK double glazing market.

It was the latter company to fall since high interest rates reduced demand for home improvements. Two others in the top 10 in the double glazing market, Weatherseal and Thetford-Stor, collapsed in 1989.

Stormseal's creditors have met similar fates.

UK double glazing sales are expected to have fallen by 5 per cent last year after a 10 per cent decline in 1989. This compares with growth of 15 per cent and 13 per cent respectively in the previous two years.

Like most other companies, Stormseal had been hit by

ing heavily to win business in a shrinking market.

Mr Griffiths said some customers were inevitable among its 3,000 employees. Although some have not been fully paid for December, all have been asked to report for work on Monday.

Stormseal sponsored last month's UK open motor championship and Midlands sportsman's championship. It is among its creditors.

The Stormseal group is owned by Livebace, a private company in which directors Mr Mr Sweeney and Mr Michael Sweeney have an interest. Its trading companies are Stormseal in Gurney, Lancashire, Premier Profiles and Daxum Windows in Doncaster, Yorkshire, and in Maidstone, Kent, and Warrington in Cheshire.

Mr Griffiths said he hoped to be able to sell some of the profitable companies in the group as going concerns.

Stormseal had not been accepted for membership of the Glass and Glazing Federation, but some of its customers may be covered by the trade association's deposit indemnity scheme under which customers who are not able to recover lost deposits in any other way are issued credit vouchers which are accepted for work by other association members.

Redundancies at MK Electric, Page 5

## M&G plea for dividend maintenance

By David Owen

M&G GROUP, the UK's largest unit trust fund manager, has urged recession-hit companies wherever possible to maintain their dividends.

The plea is made in a private letter sent to nearly 300 chairmen of companies in which M&G has a "significant" investment.

Mr Paddy Linaker, chairman of M&G Investment Management, said: "We think there are companies who may feel they can happily cut their distribution. We are making the point that dividends do matter in us."

The move comes as companies in a range of sectors are re-examining their dividend policies in the face of deteriorating economic conditions.

Last month, General Electric Company (GEC) and Trafalgar House - both FT-SE 100 stocks - decided against increasing their dividends and that dividend for the first time in several years.

Barrat Developments, Biffaward Group and Norcor are among those to have already cut dividend payments.

Mr Linaker said that the views expressed in the letter were similar to but broader than those contained in a letter published in the Financial Times on December 12. In that letter, Mr Linaker described dividends as "the core of the relationship between management and owners."

"We expect the managers of these companies to seek our help where appropriate in times of difficulty. We do not think that cutting dividends is the solution to cyclical trading difficulties," he wrote.

It was customary for M&G to send out a letter "making a few points" along with its annual report and accounts.

"It is a private letter and we do not wish the fact that it has been made public," he said.

The divisive debate, Weekend section, Page 1

## The County of Clwyd...



## ...less outlay—more output

Less Outlay on an impressive range of modern, purpose-built industrial units and service land. Development plots from 1 to 60 acres, are available now as are industrial units from 2,000 to 50,000 sq. ft., all at attractive rental levels.

More Output from an adaptable, skilled workforce that's in these still making working practice and employers' needs.

Just dual carriageway links to the national motorway network bring Manchester Airport within 45 minutes drive. Clwyd's first class cost-effectiveness and financial aid for qualifying projects combine to ensure maximum output for minimum outlay.

To find out more about Clwyd, contact the Clwyd Industry Team, Clwyd County Council, Shire Hall, Mold, Clwyd CH7 9NB. Tel. 0352-2121. Fax 0352-700321.

SEND FOR THE CLWYD FACT PACK

Name: \_\_\_\_\_ Title: \_\_\_\_\_  
Company: \_\_\_\_\_  
Address: \_\_\_\_\_  
Postcode: \_\_\_\_\_  
Tel: \_\_\_\_\_  
Fax: \_\_\_\_\_

**CHIEF PRICE CHANGES YESTERDAY**

FRANKFURT (Dms)		PARIS (FFrs)	
Riese	146 + 11	Chargours	675 + 15
Dockel	334 + 9	Eco	274.5 + 9.8
Heritz	339 + 10	L'Oréal	486.5 + 7.8
Volkswagen	339 + 10	Cogit	365 - 8
Falke	339 + 10	Copaxal	500 - 10
Porsche	339 + 10	Total	601 - 10
Rosenthal	339 + 10		
Springer Axel	710 - 26		

**NEW YORK (Dts)**

Riese	114 + 4	Chargours	675 + 15
Chase Man	114 + 4	Eco	274.5 + 9.8
Chitrop	304 + 4	L'Oréal	486.5 + 7.8
Intel	304 + 4	Cogit	365 - 8
Falke	304 + 4	Copaxal	500 - 10
Am Home Prod	48 - 13	Total	601 - 10
Bristol-Myers	83 - 14		
Tenneco	44 1/2 - 2 1/2		

New York prices at 12.30.

**LONDON (Pence)**

Riese	589 + 10	Falke	339 + 10
BAT Inds.	341 + 11	Dockel	334 + 9
BICC	341 + 11	Heritz	339 + 10
Euro Leisure	23 + 4	Volkswagen	339 + 10
Eurofret	378 + 16	Falke	339 + 10
Hazewood Foods	148 + 10	Rosenthal	339 + 10
Nitin Foods	350 + 10	Springer Axel	710 - 26
Pitard Garnier	61 + 8		
Vickers	230 + 6		
Wessex Water	254 + 4		

**WORLDWIDE WEATHER**

Today: Clear, Windy, Rain, Snow, Fog, Thunder, etc.  
Expected in 24 hours: Clear, Windy, Rain, Snow, Fog, Thunder, etc.

City	Temp	Wind	Cloud	Temp	Wind	Cloud
Amsterdam	10	10	10	10	10	10
Antwerp	10	10	10	10	10	10
Birmingham	10	10	10	10	10	10
Bombay	10	10	10	10	10	10
Buenos Aires	10	10	10	10	10	10
Calcutta	10	10	10	10	10	10
Canton	10	10	10	10	10	10
Cebu	10	10	10	10	10	10
Colon	10	10	10	10	10	10
Hankow	10	10	10	10	10	10
Hong Kong	10	10	10	10	10	10
Kobe	10	10	10	10	10	10
London	10	10	10	10	10	10
Lyons	10	10	10	10	10	10
Manila	10	10	10	10	10	10
Medan	10	10	10	10	10	10
Osaka	10	10	10	10	10	10
Panama	10	10	10	10	10	10
Peking	10	10	10	10	10	10
Rangoon	10	10	10	10	10	10
San Francisco	10	10	10	10	10	10
Singapore	10	10	10	10	10	10
Sourabaya	10	10	10	10	10	10
Tientsin	10	10	10	10	10	10
Yokohama	10	10	10	10	10	10

C - Cloudy D - Drizzle F - Fair FG - Fog H - Hot R - Rain S - Snow T - Thunder, etc.  
Wind: G - Gale, S - Squall, etc.  
Temp: Min - Minimum, Max - Maximum, etc.



***Daniel Yergin, author and consultant, says George Bush is tougher than Saddam thinks***

the sanctions ~~were~~ off, be in a position to intimidate and dominate ~~the~~ other weak states in the ~~region~~. And Saddam's invasion indicated the kind of rules he would play by. In 1979, four out of five of ~~the~~ major oil ~~states~~ of the Persian Gulf were friendly to the West. Were Iraq ~~to~~ keep ~~himself~~, only ~~two~~ out of ~~five~~ could be considered friendly.

Ironically, Bush had more trouble building broad domestic support than he did in creating an international agreement, and he faces some Congressional opposition. In an effort to rebut criticism at home he has stepped on the Pentagon: "Our jobs, our way of life, our own freedoms are under a friendly country's tries around the world, and we will be in control of the world's oil supply" fell into the hands of Saddam Hussein." Bush would not have committed the US troops and built an unprecedented international coalition - and indeed put his own people in harm's way if he did not see it that way.

**O**n the other side of the battle line in Iraq, oil and Arab nationalism have been the dominant political forces; and it was of this world that the violent, conspiratorial world of Ba'athism and Saddam Hussein himself emerged. The Ba'athist – or “renaissance” – party, which was launched in Damascus in the early 1930s came to have the western oil companies operating in Iraq under its thumb. It was the party that in 1958, with the help of a British-trained Arab army, ousted the British and the British-backed monarchy, and set out to build a “dignity” as a diverse collection of ethnic groups which Britain had split from the Turkish empire since the First World War, and placed under a constitutional government. The Ba'athists were fervent in their denunciations of the West and imperialism. They were also fervent in their absolutism in the pursuit of their all embracing ideology and demands.

His birth in 1937, was brought up by his uncle, Khairallah Talfah, a fervent nationalist from the Sunni Arab minority, who hated and despised European culture. For both of them, the pro-Arab nationalist Ba'ath Party in Iraq was the only way to liberate the Arab world. All coup of 1941, aimed at many other things as driving British political and economic influence from the country. In the course of that coup, German aircraft attacked British bases in Iraq. When Iraqis were threatened to fire on the German planes, British troops evacuated the bases and children. British troops withdrew and the coup collapsed. Talfah was imprisoned for his part in the coup. Afterwards he communicated his bitterness, resentment

It was during the turmoil and enthusiasm that accompanied Egyptian president Gamal Abdel Nasser's victory at 1956 that Tikioti was recruited into the Ba'ath party. The anti-imperialist movement of the 1950s and 1960s, a Voice of the Arabs remained with him ever after, and he was based in his hometown both before and after the invasion of Kuwait. Since Tikioti was a Ba'athist, according to lore, he carried out his first assassination of a local political figure in Tikrit. In 1968 he was one of the members in the assassination attempt on Iraq's ruler, Abdul Karim Kassem.

■ Continued on Page VI

## The Long View



## Cash-rich institutions are urging industrial companies to keep their payouts high and rising. Pension funds have become dividend junkies

ity, however, ■ that the end of the dividend ~~breakdown~~ might undermine the ~~value~~ basis of evaluating British occupational pension schemes, and in ■ ■ ■ ■ ■ the "with prof

its" ~~bank~~ of ~~the~~ offices which also depend ~~on~~ income valuation models.

Remember that occupational pension schemes have remained in substantial surplus even though the stock market peaked nearly 3% years ago. This is because dividends on UK equities have remained on buoyant, having risen by some 60% over the last 10 years, against the 28% rise in retail price inflation of 28% and the inflation of 2% per cent. Positive dividends have been strong, pension contributions by companies have been cut and eliminated altogether, profits have fallen and dividends have risen faster.

But what if dividends are cut? The **Wall Street Journal** forecast for 2009 is that payouts will climb by 1.5 percent or less. **Investment** by City analysts are, however, being **cut** all the time as the full scale of the recession becomes apparent. **At** this point there is likely to be **concern** about the possibility of negative feedback: that sluggish dividends will understate **company** fund valuations, trigger higher contributions and erode profits just when they are under the greatest pressure from normal trading factors.

This year is bound to see concerted pressure from institutional investors on companies to keep the dividend flow up. If they are inhibited by the little matter of a shortage of cash, companies will be that first rights issues would be supported. But in a recession

company boards have other pressing matters. If they are sacking some of their workers, are they cutting the pay of the remainder, can they really stimulate the growth of dividends regardless? Moreover the takeover threat which helped loosen their purse strings in the first place has largely evaporated.

There are great puzzles in all this. Why are the investment institutions, which are brimful of cash, so reluctant to draw dividends out of the company sector, which is suffering its worst liquidity crisis for at least 10 years? Have pension funds committed to 60 per cent equities to protect their equities without understanding the nature of what they are invested in? It appears that they are trying to change the character of the dividend away from the concept of a risky participation in a share to a more certain return in the idea of protected bond income. But the risk cannot be wished away.

With good fortune the industrial recession will prove to be short-lived and profits will pick up later in 1982 and in 1983. The temporary dividend crisis could be weathered. But if the recession is more severe the whole basis of dividend levels will have to be reassessed, and some uncomfortable conclusions about pension fund solvency might be reached.

Pension funds have become almost immune to a stock market price crash, but are highly exposed to a dividend crash. Expect a lively debate about dividends in 1991.

## ENTER THE INVESTOR OF THE YEAR 1991 COMPETITION

The 1991 Investor of the Year competition starts in the *Observer* this Sunday, 6 January.

Over the past 13 years, prize winners have come from all walks of life, and from all  group. So whether you   housewife or a student;  company director   antiques dealer, young  old, you too can have the chance  become 'Investor  the Year'.

There is a total of £50,000 to be won. Starting in March, there will be prizes of £500 for each month. The remaining £40,000 is shared between the six competitors who attain the best result covering 1991 overall, and will be awarded in 1992. The first prize being £20,000. All in all there are 26 chances to win cash prizes.

To enter you have to select from a list of 30 leading shares, the five you think will show the biggest percentage gain in their price. In other words, the best wealth

Entry details also published in Money Observer, the award winning monthly investment magazine. January issue out now

To find out more details, read the *Observer* tomorrow.

## CONTENTS

**Weekend FT writers explain** **how** to keep going in a recession:  
**Food & Wine** : Cheap and cheerful bubbly; lean **and** mean cuisine  
**Gardening** : Cutting costs in the flower bed  
**How to Spend It** : Decorating **on** a budget; dressing for less

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## FINANCE &amp; THE FAMILY

# David Barchard looks at merger windfalls for savers

## Play the takeover market through your building society

CHELTHAM & Gloucester Building Society this week announced plans for a merger with Portsmouth Building Society. As usual with these deals, Portsmouth members will receive a bonus in return for giving up ownership of their society.

The merger, which must be approved by members of both societies, is expected to take place by the end of June. Saving members of Portsmouth will receive a bonus of 1.75 per cent on their accounts. The amount will be based on the lowest balance in their accounts between December 20 and the date before the merger comes into effect. In practice the closing date is likely to be June 29.

Mortgage holders of Portsmouth will be offered a reduction of 0.1 per cent on their interest rate for a six month period.

The 1.75 per cent bonus to savers is below the 2 per cent which had been forecast in the industry, but is still favourably above the 0.75 per cent paid to members of Peckham and Walthamstow Building Societies when they were taken over by Lloyds last year.

If you are not already a member with Portsmouth, there is no point in moving your money to the society in the hope of a bonus. However, it may be worth considering about which building society could yield an unexpected windfall.

The reason for this is that, though they may assert their rights, the legal owners of a building society are its members, both the savers and the borrowers. If they transfer their ownership in an amalgamation in a takeover, they are entitled to

compensation.

There are three situations in which this is likely to be the case:

- the takeover of a small society with high reserves by a larger one;
- a stock market flotation; and
- a takeover of a building society by another kind of institution such as a bank or insurance company.

C&G, the "mergers king" of the building society world, has set the recent fashion for paying bonuses to the customers of smaller societies. Until its takeover of the Guardian, two years ago, such payments were rare. They depend on the society having a high level of reserves.

Customers of Guardian building society, a fairly large London society with only one branch, received 4 per cent but this was exceptional.

Savers with Peckham and Walthamstow Building Societies over in much less favourable conditions, will have well.

Borrowers can also look forward to a modest gain from a merger, usually in the form of a discount on their mortgage rate during the first year.

It is by no means clear that a larger society will always pay a bonus to take over a smaller one. To some extent it depends on whether the members of building societies are in their rights or not - and whether they put their own interests first.

Members tend to be threatened out not by the members of a society, but by the takeover meeting privately in a meeting room.

Last spring, customers of Frome Building Society



ety voted for a 11 per cent bonus on their savings from Stroud 11 Building Society. They will be most in evidence in mergers of building societies into companies, because the Building Societies Act requires societies to get the approval of an overwhelming majority of their customers.

Abbey National floated on the stock exchange in July 1989. Its members did well out of the change: they received 100 free shares, worth 140p

each, and now about 250p. To qualify for a distribution of shares to be taken as a saving member when a society converts into a PLC, the Building Societies Commission now requires that a member must have been with the society for two years. This means that you have to choose your targets well in advance - and also that those who will be most members, those of less than two years' standing, who will be entitled to a share in a flotation and will be able to take the first

share. If a society is taken over by a bank or insurance company, its members can expect large cash payments. The problem is that since Abbey there have been no other building societies taken over and no outsider has

tried to take over a society. Those who put their money in societies hoping to get a bonus have been disappointed.

However, most building societies seem to be that takeovers will come sooner or later, though the current state of the housing market probably played a part in deterring would-be predators last year. It is even possible that hostile takeovers will come eventually.

Here are some tips for building society savers in the event of a bonus:

- Make sure that your money is in a building society that will pay a bonus.
- If you have a savings account with a society that is likely to be taken over, it is always best to have the money in a building society.

Top ten building societies in the prospect of a substantial merger bonus, though they may not be taken over, are: 1. Halifax - 28 per cent; 2. Bank of Scotland - 24 per cent; 3. Bank of Ireland - 24 per cent; 4. Bank of Wales - 24 per cent; 5. Bank of Ireland - 24 per cent; 6. Bank of Ireland - 24 per cent; 7. Bank of Ireland - 24 per cent; 8. Bank of Ireland - 24 per cent; 9. Bank of Ireland - 24 per cent; 10. Bank of Ireland - 24 per cent.

## Sara Webb looks at a poll of prospective investors

### Savers' favourites

IF YOU HAD an extra £100 per month which you had to invest, where would you invest it?

When Mintel International Group asked the question of a population sample, they received the following answers:

- building society account - 28 per cent;
- bank/building society account paying higher interest - 24 per cent;
- personal pension plan - 11 per cent;
- bank deposit or savings account - 9 per cent;
- unit trust - 8 per cent;
- will fund savings account - 4 per cent;
- savings account linked to a PEP - 3 per cent;
- share portfolio with a professional portfolio manager - 2 per cent;
- with-profit endowment - 2 per cent;
- savings account linked to an investment - 1 per cent;
- unit-linked endowment - 1 per cent;
- don't know/none of these 7 per cent.

The information, which was compiled in August 1989, Britain joined the ERM and the pound fell to 160p, was cut from 15 per cent to 14 per cent. However, it does illustrate rather than actual savings intentions. Indeed, if you only had £100 a month to invest, you would not be able to build a portfolio manager willing to invest such a small sum.

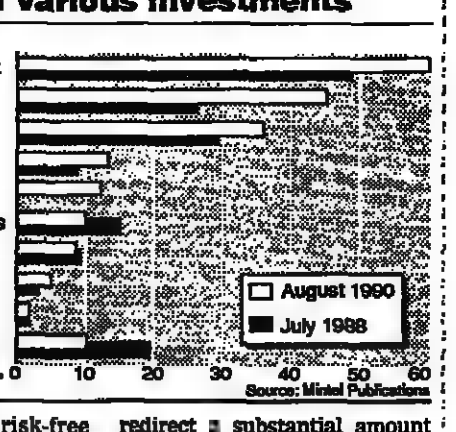
However, it does illustrate that savers in the British building society market are clear winners. In fact, if you look at the actual ownership of various investments as illustrated in the bar chart, you can see that deposit accounts have the largest share in popularity over the last few years. Unit trusts and non-privatisation shares have declined.

"Savings in clearly built in fashion, despite the fact that budgets are tight by high inflation and interest rates," says the Mintel report. Mintel believes there are several reasons for this.

■ Equity-based media have been volatile and have underperformed, while interest rates have been high, providing

### Ownership of various investments

Building society account  
Bank deposit  
Life insurance  
Unit trust  
Non-privatisation shares  
Privatisation shares  
Unit trusts  
Personal equity plan  
Gilt  
None of these



ing savers with a risk-free return. Investors have opened deposit accounts with money that would otherwise have gone into the stock market.

■ Intense competition between the banks and building societies for deposit money may have resulted in more opening multiple accounts with different banks and societies.

■ The collapse of the housing market may have discouraged people from stretching themselves financially to buy a home, encouraging them to keep their money in savings rather than in property.

In spite of the government's commitment to wider share ownership, Mintel reports that investment in quoted shares has fallen.

"In 1989, Mintel and Treasury found personal share ownership standing at between 15-20 per cent, of whom 10 per cent were holders of privatisation issues. Despite the largest of the public issues since, the Water Boards, this figure has fallen to 10 per cent by the middle of 1990," the report says.

As might be expected, members of the 45 local groups are more likely to have a wider spread of investments than those in social group E. Clearly, the market crash in 1987 put many investors off equity-related investments and uncertainty over the Middle East has made world stocks unattractive in recent months.

"There is certainly a period ahead of considerable uncertainty. Wearing blinkers, Mintel's view is that savers should

redirect a substantial amount of money into the stock market if only on a contingency basis; equity investments, even without this added competition, were finding it difficult to keep pace with the needs of consumer funds," says the report.

On top of this, the UK investor has the prospect of a general decline in 1991, "which will cause varying degrees of uncertainty as markets try to predict and discount its outcome in advance."

On a somewhat gloomy note, the report concludes that "information... no protection against disaster... greed or a simple hard instinct may lead into making wrong decisions. (Chart analysis, track records, all the paraphernalia of the investment advice industry, are no more than the record of past experience. The weather forecast, it assumes that past experience will be repeated. It is the only broad guide to the future available. It is by no means infallible."

Mintel points out that the balance between risk and reward always exists. Savers must be willing to shift investments not only from product to product but from type to type. Any consumer with money should keep up to date with major changes and review the arrangements from time to time.

■ **Mintel Special Reports:** A complete guide to the UK investment market, available from Mintel International Group, 18-19 Long Lane, London EC1A 9PP, price £35.

## Behave with Tessa

IF YOU are one of the thousands who rushed to put money into a Tessa, or Exempt Special Savings Account, on January 1, you will be keeping an eye open for cheats, writes Sara Webb.

You are only allowed one Tessa per person and the name will be watching for savers who try to open more than one. For a start you are supposed to sign a declaration in your Tessa application that you do not already own another Tessa. You will also have to provide your National Insurance number on the application form and this will be used to compile a central register of Tessa-holders, as with Personal Equity Plans.

You can deposit up to £3,000 in your Tessa in the first year, and up to £1,800 in each of the four subsequent years until you reach a total of £10,800. You

will receive the interest tax-free provided you keep the Tessa for five years and leave the capital untouched. However, you can withdraw interest at any time, net of tax, before the five years are up.

If you die before the five years are completed, the interest will be paid gross up to the date of your death; thereafter the account is treated as an ordinary deposit account and taxed accordingly. In other words, your Tessa would not be transferred to your heir as a Tessa but as a normal, taxable account.

The current Tessa rates on offer are published in the accompanying table. Remember to watch out for penalties though.

You are free to transfer your Tessa from one institution to another in pursuit of a more attractive rate, but some Tessa providers penalise deserters by charging them a fee or by withdrawing

olded interest.

Cheltenham & Gloucester, the financial advisory group, has launched a Tessa which offers a tax-free withdrawal of £1,000 per month for savers with £20,000 to invest, writes Philip Cogan.

By saving the maximum £3,000 via the Tessa & Prosper TESSA and rebating the commission normally paid to financial advisers, Cogan says it can offer a 19 per cent yield. This is combined with the Kilkil self-select Personal Equity Plan, under which investors choose to opt for cash. The £3,000 in cash can then be switched into equities when the prospect for a Gulf War has receded; the high initial yield earned will have significant compounding effects over the life of the package. Cogan will charge a fee of £50 plus VAT to arrange the deal; it will either be PEP or TESSA separately.

Much depends on the life expectancy with which they hold the policy. On the announcement made in February, two months may find the size of their pay-out is something of a lottery.

Investors holding endowment policies with a maturity date of 10 years or more may find their pay-out is something of a lottery.

Table 1 (above) shows the effect of these bonus announcements on these companies. The lucky investors holding 25 year endowments with General Accident Life see a 12 per cent increase - a payout that could be among the very best.

In contrast, investors holding Guardian Royal Exchange endowments suffer a reduction of 3 per cent on last year and receive less than three quarters the GA Life payout for the same outlay.

Investors holding GRE and Sun Alliance contracts should not be too surprised by the drop in payments. 1990 was a difficult year for investments, with a return of around minus 10 per cent on UK equities.

TABLE 1: Investor aged 29 at outset paying £30 a month

	Present (£)	% Change over 1989
25 year endowment		
GA Life	7,545	-1.4
CU Life	7,029	+0.8
Bank of Wales	6,547	-3.3
GRE	5,992	-10.8
25 year endowment		
CU Life	83,080	+12.4
CU Life	81,721	+2.5
Bank of Wales	82,429	-1.8
GRE	46,345	-3.3

## Eric Short on the conflicting patterns for endowment holders

### Bonuses could be a lottery

INVESTORS holding with-profit endowments which mature over the next 10 months may find the size of their pay-out is something of a lottery.

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Without this special bonus, GA Life would have had a lower increased payout, as Table 1 (below left) shows.

What can be expected by investors holding maturing policies where the life expectancy is yet to be determined?

Many companies have intended to cut payouts, are now probably reassessing the situation. A clearer picture is likely to emerge when Norwich Union announces its rates.

Table 2: GA Life 25 year endowment maturing Jan 1991

	Reversionary	Terminal	Special	Total
1989	18,963	31,607	0	50,570
1990	18,963	31,607	0	50,570
1991	18,963	31,607	0	50,570
1992	18,963	31,607	0	50,570
1993	18,963	31,607	0	50,570
1994	18,963	31,607	0	50,570
1995	18,963	31,607	0	50,570
1996	18,963	31,607	0	50,570
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1999	18,963	31,607	0	50,570
2000	18,963	31,607	0	50,570
2001	18,963	31,607	0	50,570
2002	18,963	31,607	0	50,570
2003	18,963	31,607	0	50,570
2004	18,963	31,607	0	50,570
2005	18,963	31,607	0	50,570
2006	18,963	31,607	0	50,570
2007	18,963	31,607	0	50,570
2008	18,963	31,607	0	50,570
2009	18,963	31,607	0	50,570
2010	18,963	31,607	0	50,570

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Since last February shares in Next, the troubled fashion and furnishings retailer, have fallen from more than 100p to just 13p and George Davies, the founder, has long departed the stage.

However, along with those buying the shares in hope of a recovery, there are those who have spotted an unusual way of profiting from the company's lowly market rating.

If you own 500 Next shares before the report and accounts are posted in the spring, you should receive a voucher

which, for a limited period, gives you the right to buy shares at a discount of 10 per cent off any shares bought at any of Next's stores.

The offer is restricted to just one visit to a store but there is no limit on the number of shares that can be bought.

After dealing costs, the shares will cost around 11p. So any purchase of 500 or more would make it worth taking up the offer. However, the company now says the scheme is under review - you are warned.

James McCallum

## A way to profit from Next

Since last February shares in Next, the troubled fashion and furnishings retailer, have fallen from more than 100p to just 13p and George Davies, the founder, has long departed the stage.

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## Nationwide alters the rules

IT CAN be irritating to discover suddenly that your bank or building society has changed the product on offer and that the type of account you have held the years is being phased out. We have mentioned that some Nationwide Anglia Building Society account holders were caught out by the replacement of the Capital Builder account with a Capital Bonus account; others are now complaining about the replacement of the Capital Bonus account.

Capital Bonus was replaced by the Capital Builder account in early December 1990 as part of a review of the society's savings accounts. The Capital Bonus

was no longer on offer and existing savers can either keep their money in the Capital Builder account, though they will have to give 90 days' notice.

However, readers complain that first, they were not notified of the change, and second, that they are being penalised with the rate on offer.

The interest rate on the Capital Bonus account was lowered in January. For example, on sums of £500 to £4,999 it was lowered from 9.8 per cent net to 9.1 per cent. The reduction takes into account the fact that composite rate tax will be abolished in April 1991. Thereafter,

non-taxpayers will receive interest gross at 10.25 per cent. However, the Capital Builder account is paying interest of 10.13 per cent net (13.5 per cent gross) on sums of £1,000 to £4,999. It seems likely that the Capital Builder savers should be paid less for their deposits and that their accounts was not drawn to the changes.

Nationwide Anglia says it is not its policy to notify individual account holders, as the cost of mailing out letters would prove too expensive, but it says the change in accounts was advertised in the press and in its branch network.

Sara Webb

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To find out more, just post the coupon, or call your financial adviser or ring us free on 0800 282 101.

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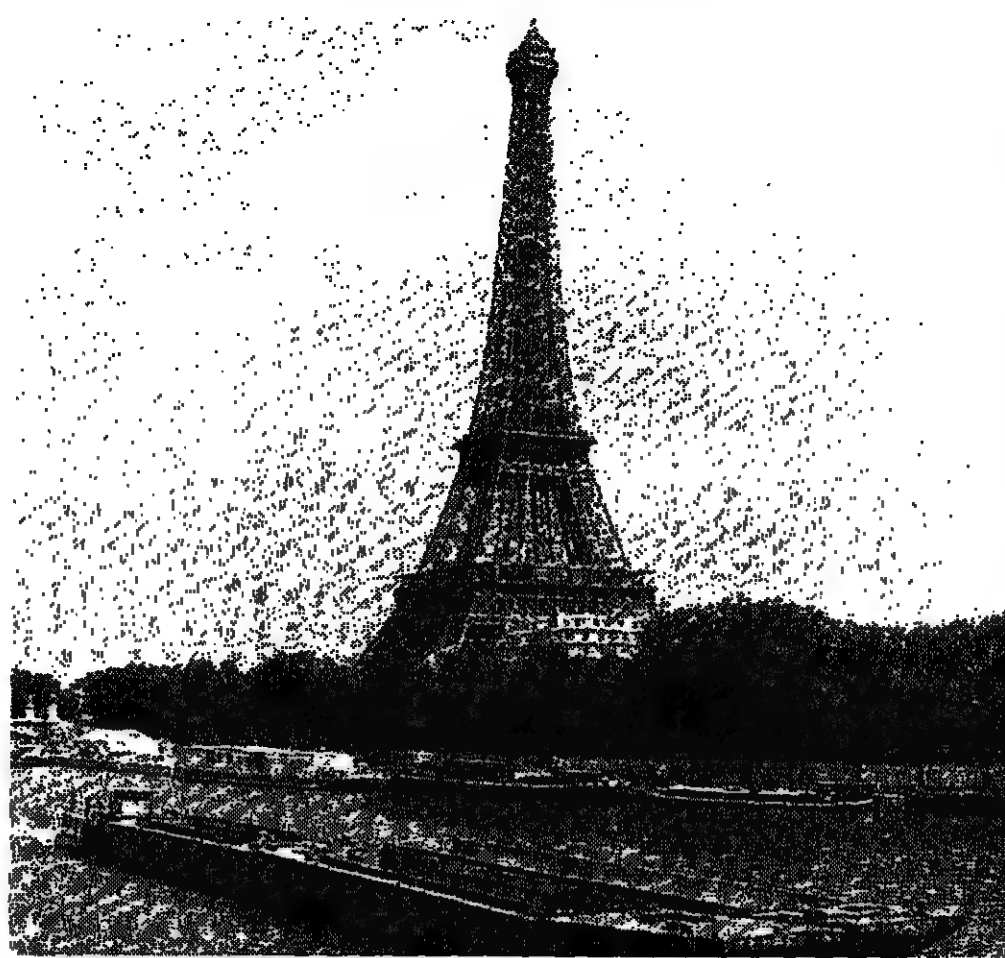




## PROPERTY

## Rising cost of la dolce vita

Recent Italian legislation has increased the value of villas, reports Audrey Powell



Room with a view: prime central apartments in Paris can be rented for £2,300

## Low-cost capital

LONDON is beginning to look comparatively cheap to international investors. That is one conclusion to be drawn from a nine-city survey of international executive housing just completed by Knight Frank & Rutley.

On a local currency basis, the cost of prime central area housing in most of the world's leading business capitals fell in 1990 after strong rises in 1989. On a sterling equivalent basis, the pound's poor showing on the exchanges has created substantial anomalies in the comparable prices.

Taking prime central area four-bedroom houses or apartments as a standard, KFR's study shows that a world-travelling executive might represent a capital cost in housing terms of £2.4m in Tokyo, or just £150,000 in the recession-hit market in Sydney.

Comparative rental costs parallel the capital costs, to a degree, with a Tokyo property at £8,000 a month regarded as good value. But the most expensive properties are not always those with the most active rental businesses. As the agents note, at £2,000 and £4,000 a month respectively, Singapore and London are

International Property values 1989/90	% Change on 1988/89
Tokyo	£2.4m -20
Paris	£2.0m -10
Madrid	£980,000 +11
New York	£750,000 -30
London	£840,000 -15
Brussels	£220,000 -3
Frankfurt	£175,000 -14
Singapore	£145,000 -17
Sydney	£140,000 -37

comparatively expensive compared with Brussels' £1,800, £2,300 for Paris or £2,600 for Madrid. Rents in New York are down to around £2,000 a month, and their equivalents in Sydney are about £2,500 a month.

Australia is the least expensive residential market for globetrotters, and Brussels remains best value in Europe. But the continuing strength of London rentals set against last year's substantial fall in values combined to add to the investors' case for buying in London, assuming that values are heading up, not down, in the near term. KFR's takes the view that "the (prime) residential market in London seems to have bottomed out in June. There have been no further falls, even though it remains a buyers' market."

John Brennan

**N**EW LEGISLATION, likely to come into force this year, will increase the cost of buying a property in Italy for some purchasers.

The Italian system - which appears strange, at the least, to British buyers - is a choice of two systems, with the second in everybody paying a little less possible.

In other words, you can declare the full price of a property and transfer charges on it - or you can persuade the vendor to agree, which may not be easy.

Or there is a second, officially recognised and generally used system based on a notional rent of the property, whereby a purchaser quotes

what might be called the "rateable value" of the property. This is considerably less than the market value, and the buyer pays lower related transfer charges. The seller also pays a capital gains tax.

If you are thinking about buying an Italian property, you should know that the new legislation, which came into force on January 1, will substantially increase the "officially recognised" valuations of property and thus the taxes to be paid, by those purchasers who use this system.

George Pezzi-Arworthy, a solicitor qualified in British and Italian law, says: "The new legislation will practice for the actual price which appears on the original binding

contract to purchase a property, and which is paid to the vendor, not to appear in the final deed.

"The parties may safely insert in the deed a figure not less than the recognised official valuation of the property, which is present at calculated by multiplying by 100 what is loosely translated as the 'rateable value', which appears in the local land register.

But changes have now been officially mooted. It is proposed to bring the 'rateable values' up to date and an increase of 100 per cent multiplier, or perhaps 125 per cent, is also being considered.

"Very roughly, the indication given is that the minimum value which it would be safe

to include in the deeds as from January 1 may well be increased by about 25 per cent and the same increase will affect the values acceptable to the Italian revenue in matters of succession or property coming up for liquidation in 1991," says Pezzi-Arworthy.

If you are interested in buying, Brian A. French and Associates of Knaresborough North Yorkshire (tel: 0423-867047) will send you a 28-page list of Italian properties. These include a large house that forms part of the ramparts of a medieval village in Umbria. The agent says it is in good condition, though needing a new bathroom and kitchen. It has three bedrooms, water and electricity and costs about £19,000.

A stone farmhouse on the edge of a hamlet, with country views, four rooms and kitchen, beamed ceilings and terracotta floors, is about £37,000; while a watermill dating from 1741, with original machinery, requires an imaginative converter with £38,000.

A Tuscany property in 27 acres, has vineyard and olive groves. The house, built over a cellar and wine press, has two bedrooms, dining and sitting rooms, a large central hall, a bathroom, water, telephone and garage. The price is £266,000.

A larger 17th century villa in 50 acres, with a chapel and farmhouse is priced at £711,000. "Ruins" for restoration start around £10,000.

**A**RE YOU having problems in adapting a listed building because your plans respect its character and history? Or are you eager to know how to adapt your house really is, and how it grew? Then call in the Hereford Archaeology Unit, a specialist in digging out "above ground" building history. Strip some plaster and you never know what it will find.

The unit's latest coup is typical. Asked by Elgar Developments to work out the history of 20 Church Street, Hereford, it found that an apparently Georgian house in fact an extremely rare 14th century first-floor hall. So the company has reworked the plans of its new head office to make it a mix of old and new, and forward a holding contract to him and his building, Dan.

Edward Elgar's music will be on the programme. The house is near the cathedral where organist G.R. Sinclair lived from 1889 to 1918. Elgar was a friend who came to stay and dedicated one of his Enigma Variations to him and his building, Dan.

The house now has a brick facade and certainly looks Georgian, with a handsome bow-ended Regency dining room that will make a fine boardroom.

The only clue to something special when Edward Elgar lived at the house was the very steep white roof, which

## The dating game

Gerald Cadogan reports on rarities under the plaster

It is odd in an 18th century building. Once plaster was removed, suspicions became certainties. It was a building whose wattle and daub had been replaced by brick. Morris says that has happened to many buildings in the city like Hereford. They may look Georgian, but investigation often reveals earlier origins.



The highlight was finding upstairs, obscured by later partition walls and ceiling, the original hall and its crow-post gabled roof. The lucky survival of a decorated-style wooden window of a type familiar in stone in churches dated the hall to around 1360. That makes it among the last of the first-floor type of halls, which was a scheme originally designed for defence. From around 1360 they began to give way to ground-floor hall plans.

The unit's findings are simple. After checking documents, evidence, its specialists look, measure, draw and think. The drawings - which by now are in a photograph.

When the unit takes a case for English Heritage, it gives finds that changes of use or type of stone stand out as

the keys to the architectural history.

It is expensive to get a history of your building, and a set of plans, says Ron Smith, the unit's director. "On the service side of building we are cheaper than an architect or quantity surveyor. But you must choose an architect to adapt the building who is sensitive to the history and details we produce."

His House, in Handsworth, Birmingham, has been a challenge. The House of Boulton and Watt, the steam engine, is in the house in 1791 and it has been three or four times in the next

40 years, installing the UK's first hot air central heating since the Romans left in 410.

The Hereford team could date the sequence of rebuilding from differences in the ornamental plasterwork. But the house had no main staircase. What had happened to it?

The unit has worked it out. Boulton, who was keen on building, was about to add a grand set of front rooms, hall and stairs when his money ran out. So he put a bold face - with columns - on the old house to make it look as if that was the plan.

Intended, squeezed in an extra storey to make up for the lack

of those front rooms, and never built proper stairs.

In Thame, Oxfordshire, the Unit found that a group of houses in Buttermarket are rare survivors of medieval jerry-built timber frame buildings. And at Caradoc Court, near Ross-on-Wye it had to work through the debris of a terrible fire to salvage the house's history before plans for rebuilding became final.

It is a hard and dirty task, costing around £10,000, and proved another story. It surprised Caradoc Court like a 15th century pile but, by analysing the burnt timbers and noting mortises and peg-holes and the plaster scars on the upstair stone walls, the unit drew up the late 15th century first house which the Victorians had aimed to bury.

The George at Winchcombe, Gloucestershire, is an old inn. Hamptons (0905-728813) is offering an 18th century for £750,000 and £140,000 for Clonard Developments, which has been careful to incorporate the unit's findings into its plans for conversion. The results have been successful and the houses are selling.

The unit found a long history and several timber-framed buildings dating from the 15th century behind the brewers' Tudorese facade. Separating them inspired Clonard's architect, who could follow the old schemes to make the new modern for the 1990s.

City of Hereford Archaeology Unit, Town Hall, Hereford, tel: 0432-388131.

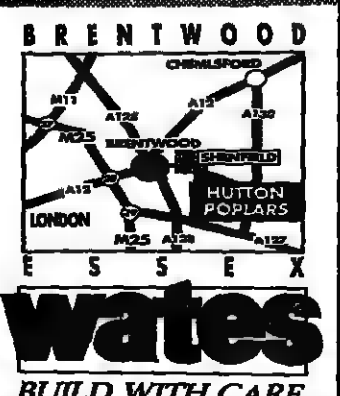
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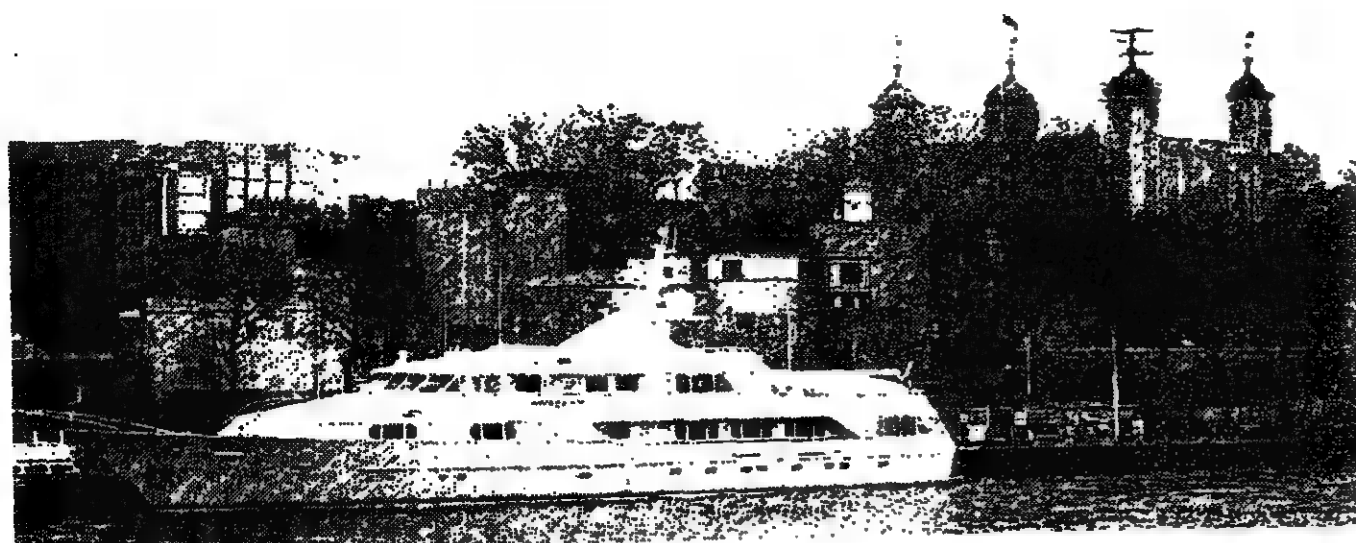
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## YACHTING



After the wheel: a 154ft state-of-art superyacht which is steered by a tiny lever

## Superpower superyachts

IN EARLY December, a glistening motor yacht lay berthed in the Pool of London. This was Charade, a long, sleek, and perhaps the finest example of today's "superyachts". Charade was built for her American owner by De Vries yard in Holland, part of the Feadship construction consortium, standards only dreamt of by most builders.

It is packed with state-of-the-art equipment, generators, heating and air-conditioning plant, treatment plant and watermakers - enough to supply a medium-sized village. Her bridge is crammed with electronics, glow with radar pictures, navigation information, computer images, pictures from weather satellites and security cameras.

While 154ft and digital information systems are functioning correctly, Charade is a milestone - she has a wheel - and is steered either by autopilot or a finger-sized lever. If the bridge represents the future, her accommodation, New York interior designer McMillan, leans towards elegant conservatism. It is like a comfortable and homely country house, with an elegant sitting-room complete with fireplace, breath-taking dining room, and sumptuous guest suites trimmed in bleached wood and rich velvet.

Last year, specialist superyacht yards around the world turned out more than in the whole of the 1980s. Today's superyachts are of highest quality construction, and one on which disagree - speed. In simple terms, you either have a displacement hull-form, which "displaces its weight" or you have a lighter planing hull which is designed to skim the top of the water if enough power is applied. Displacement hulls are relatively quiet and fuel efficient, planing hulls are fast, thrifty, and noisy, but very "macho". Many of today's advances in yacht technology are aimed at increasing speed.

The King of Spain's yacht Fortuna, designed by British naval architect Don De Vries, runs at 50 knots. Octopus, a 140ft yacht designed for American John Staluppi, has achieved 55 knots (60mph). US designer Tom Frazee is talking of 60 knots in his 140ft ACM-80 project.

The more of these craft is low weight and high power. This is usually achieved using German MTU light-weight turbocharged diesels while it is accepted technology to use a combination of diesels and gas turbines, such as was used by the trans-Atlantic record breaker Gentry Eagle.

The great advantage of turbines is their low weight and size. The 154ft pany Textron-Lycoming 4,000hp unit which weighs 1,200lbs, 13 times lighter than an equivalent diesel. Recent design improvements have practically halved high consumption. Their disadvantage is price - the 4,000hp unit costs about £100,000.

Construction of modern-day palaces is concentrated in the Netherlands whose yards are renowned for the quality of their workmanship, or in Italy, whose style is the byword, many others are seeking a slice of the cake.

Of European yards, the US, historically a large producer of European yards, struggling in its own infant industry; still not as technically advanced as the Europeans, nor, in many cases, the quality of workmanship or design. Europe's big yards are Sweden, France and Spain. Britain, world leader in the Golden Age, and Germany are clawing their way back. Germany appears to be attaining pre-eminence in the construction of the largest yachts, while Britain, contributing more than most to their appearance and decoration.

Names such as Jon Bannenberg, Terence Disdale, John Munford, Don De Vries and Andrew Wynn are attached to the designs of the largest and most splendid of the world's yachts. The UK's recession has given the confidence to spend

huge expanding facilities. Even in credit-squeezed Britain, the outlook is not too gloomy. The UK's largest yard, Brooke Yachts International of Lowestoft, which built the 177ft motor yacht Stefania and the 121ft Beaufort, is busy plotting a 131-footer for launch in June and a 183-footer for an August launch.

As refitting several large yachts, Britain's oldest builder of superyachts, Camper & Nicholson, reports its order books are very satisfactory. If the legs behind continental Europeans on the largest of yachts, it is certainly up with the leaders in the slightly smaller league. With Sunseeker and Fairline respected names throughout the world, the companies are particularly for export, the larger end of the market were unaffected but there were some falling off of orders at the end.

Perhaps today's superyacht industry is just a passing phase. It is certain that the 20th century will be remembered as the era of the superyacht - they are today's expression of the ultimate design for living.

Roger Lean-Vercoe is a freelance yachting journalist and editor of "The Superyachts", an annual publication.

Roger Lean-Vercoe is a freelance yachting journalist and editor of "The Superyachts", an annual publication.

## British boats find a fair wind

The recession has had little effect on UK builders, which have increased their share of the European market, says David Rushby

BRITISH BOAT builders have improved their share of the European market and weathered the recession as a result of investment in new products and better marketing during recent years. They have established contacts with European dealers and distributors who are able to promote British boats to the best advantage in an increasingly competitive market. In previous years UK manufacturers tried to market their own products abroad, but they have recognised that the best approach was to use local agents.

It is now usual for designs to be modified to meet the demands of different markets. These changes are achieved through the use of more modular interior designs.

Although high interest rates slowed sales in the UK during the last quarter of 1990, most of the bigger manufacturers are

reporting a good year according to preliminary figures being collated by the British Marine Industries Federation. Overall for 1990, sales of pleasure craft have reached an estimated 10,000, compared with 9,000 the previous year.

Fewer craft were sold than in 1989, but the trend towards expensive, larger yachts and luxurious fitted yachts and development in the power boat market, where growth has been greatest, has produced the increase.

In the six months of last year exports were particularly strong, showing a rise of 25.5m to £11.4m, compared with £9.5m in the first half of 1989. Imports during the corresponding period showed little change.

Then there have been reports of good business from the biggest boat shows in Europe and America.

Specialist builders, whether they produce expensive yachts or mass-produced boats that fill

market have also come through the year successfully. There has been continued interest in small traditionally rigged replicas of working craft which the buyers need for their individuality.

Among volume builders, the Plymouth-based manufacturer of yachts for Moody and Princess power boats, and Westerly Yachts, both recently made workers redundant.

Looking ahead, the industry will be preparing for harmonisation of European regulations, which will come into force on January 1, 1991, when structural and equipment requirements for all boats built in member states will come into force.

Most volume manufacturers, which already have well established production systems with standard parts documentation, will find this difficult com-

plying with the new regulations and they should not add to the cost of running a boat. However, some of the smaller specialist builders might have difficulty to meet the changes which require full technical documentation of design and building procedures to be kept for 10 years.

At the same time, changes in EC laws governing the collection of VAT will give UK builders an advantage over builders in those EC countries where a higher rate of tax is payable, such as France. From the beginning of 1993, VAT will become payable in the country of origin irrespective of where the boat is built in the Community.

With a lead time of anything between nine and 18 months on a delivery, potential buyers visiting the boat shows should consider this, as it can make a considerable saving on a boat costing £100,000.

SAILING, like riding, is often more or less hereditary. You grow up with cars in the garage and sails in the bath, and row as you can walk. So you know all about yacht clubs, too. Peaked caps, bagpipes and commodores hold

terrors: you drink it all in with your mother's milk (although it is the Members' Terrace or in the Quarterdeck Bar. Chaps worry about these things, and chaps run yacht clubs).

The rest of us, adult converts and boating families, are adrift amid oddity and etiquette, uncertain how to tell a flag officer from a defaced ensign. It is all very well wandering around the Boat Show

shining eyes and a cash deposit, and practising running-fixes and intercepts at night class, but the one thing which nobody ever teaches is how to join a yacht club, or whether one should.

New sailors often feel that they have to join a club where the dining-room overlooks their favourite stretch of water. Those who do join such clubs do so for practical reasons. You can belong for years without ever using anything but the slipway and the show-

## Burgees and bobble hats

Libby Purves joins the yacht club

there are bound to be plenty of members who balance things out by using anything except the sail and dining-room, preferring not to venture on to actual sailing.

Still, there are certain advantages in plunging bravely into yacht-club land. You get a burgee to fly, and a genuine thrill when a burgee turns up in Cherbourg and you can see it and offer it a drink. You may receive reciprocal hospitality from clubs all over the world.

Children can make boat friends to replace the ones you keep forcing them to leave behind every weekend. Above all, if your friends begin to yawn uncontrollably at the mere mention of topping-lifts or keelbolts, your club hat should be a haven in which it is perfectly safe to talk about boats all night.

An innocent newcomer with a boat who makes the mistake of wearing trainers and anorak and looking a well-placed local sailor, may be subjected to such social hauteur from the secretary that he goes home and spends the rest of his sailing career being

Some clubs are quite strict

ively downmarket, all bear and bobble hats, some strangely pompos. But it would be a mistake to embrace inveterate snobbery. Either can be equally quirky, humourless and narrow-minded, displaying all the worst aspects of the male-bonding imperative. Both kinds can be the opposite: so genuine, devoted to the sea and sailing that any kindred enthusiasm is seized on and welcomed.

The magic can happen in the hutments of an unpretentious sailing association, but equally in the royal and legendary clubhouse. The more exclusive the clubhouse, the more the members are likely to be

on the table, elaborate tables and heavy marine painting with five-inch curly gilt frames can be forgiven when you know that the red-faced bluffer in mess dress next to you is just back from a single-handed trip to Gibraltar.

The intimidating cut-glass accents of other neighbours are curious, indeed, when you realise that he is what you, an unknown new member, the loan of all his west-of-Ireland charts for next season. Get a few bottles of the club-claret inside you, and even the marine paintings in the bar look all right.

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WHY IS IT that many of the people who have boating experience seem to take a morbid delight in doing their utmost to frighten off any newcomer interested in going to sea?

Usually, the smaller the experiences the more horrific the tales, designed no doubt to give the narrators' egos a boost by enhancing their image in the ears of anyone who will listen. Stories of hardship, perils of a wildly pitching galley, begin to resemble the conditions suffered in a year-long siege. No manufacturer of yachting clothing can be pleased with the alleged months spent in waterlogged apparel.

The ability to endure enormous periods at the helm, grimly fighting sleep and a bucking tiller would indicate we are becoming far tougher towards the end of the 20th century than those stalwarts who fought the giant clippers around the Horn with tiny crews 100 years ago.

In recent years reports of three, four or even 10 days without sleep have appeared in newspapers as people strive, modestly, to convey how they managed to hang on against all the odds, when everyone knows that after 11 days you become zombie-like, incapable of sensible thought, and prone to hallucinations.

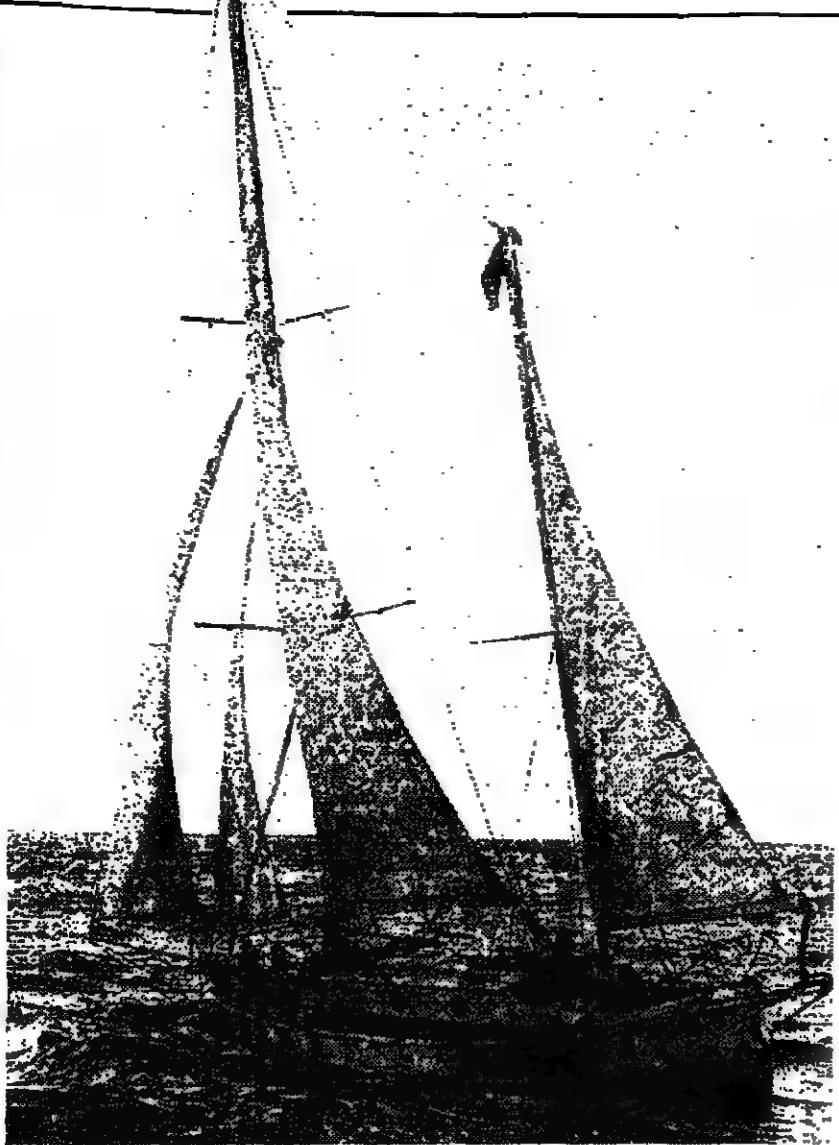
Nevertheless, those considering taking up sailing but who have read these newspaper reports are made immediately conscious of their inability to match these standards, and conclude that a quiet round of golf is probably all they are fit for.

Even if you already own a boat, you are not immune to the advice of others who feel duty bound to warn against any ambitions you may harbour. Before setting off around the world, I was sitting aboard my boat when an "expert" appeared. He asked where I was going and I muttered something about heading towards Australia.

"In that?" he responded. "That boat won't get you to Australia."

"Well it got me back from India," I replied somewhat nettled.

He was not in the least impressed. "What are you going to do at night?" he asked.



Pitched battles: tall tales rather than high winds terrify the adventurer

## Shaggy stories from old sea-dogs

Robin Knox-Johnston listens to tales of hardship on the briny with a pinch of salt

professionals must have been incurably optimistic or they would never have left port. Take this description of Cape Horn for example: "Drizzling rain, varied by snow and sleet, prevail throughout the year, whilst furious westerly gales succeed each other with rapidity. The scenery is magnificently stern but seldom seen to advantage, the clouds and mists usually screening the higher peaks and snow fields; glaciers, however, extend in many places nearly, or quite, to the level of the sea."

Of course not every part of the world is quite such a fearsome reputation, but the pilots do seem to dwell rather lovingly on the perils, giving the impression it is ununnatural to mention any possible delights which may be in store.

It should not be thought the British are alone in maintaining this macho image of the horrors just over the horizon. Some years ago when sailing back from India, we made a number of stops in Arabia, and east and South Africa.

Before we sailed we were warned of the dangers awaiting us in the Arabian Sea by the yachtsmen in Bombay. Our hosts in Muscat were not in the least impressed with the Arabian Sea, their coastline had a ferocious name, not just for its weather but also for swordfish attacks and slavery.

When we had sailed through uncharted waters, we were advised we had been through the easy part of our voyage, and the east African coast was an unbroken terror with its coral reefs, and at that time, the Chinese were rumoured to shoot anything which came within range of Zanzibar.

Naturally with such a recommendation we called at Zanzibar, but there were no Chinese in evidence, and we proceeded southward to Durban. Here the local yacht clubs were unmoved by our daring to risk the waters to their north, and stated categorically that nothing in the world compared with the Cape of Good Hope, and this time we believed them.

Fortunately we had a lovely run around it with a following wind all the way to Cape Town where The Tavern of the Seas was most welcoming, but thought the dangers of the Cape were widely overrated. To the north lay the Skeleton Coast of south-west Africa, renowned as a perilous shore, and the fact we intended to head out to sea towards St Helena was no guarantee of our safety.

In spite of all the predictions of doom throughout the voyage, we eventually managed to sail back into the Thames in one piece - perhaps we were lucky, or there might just be something to be said about the arrogance of our youth.

Even if the intending voyager decides to ignore the counsel from experts whose own experience has been gained propping up the yacht club bar, further gloom awaits when he listens to the weather forecasts.

Maybe I am fated, but every time I want to sail around the British coast, a full gale seems to be in the offing. Sitting in port waiting for too many days waiting for the wind to pass, and then finding nothing more than a force 7 developed, leads inevitably to a certain amount of scepticism. The synopsis and weather reports from the Met give a far more reliable guide - but then one recalls the unforecasted hurricanes of October 1987.

It should not be thought that I encourage those seeking guidance, it is just that the intending voyager should be wary of the tales which are often forced on them.

Remember Ulysses, stick cotton wool in the crew's ears, and take comfort from the thought that there would have been no Odysseus if Ulysses had listened to advice.

The worst sailing waters in the world? Well, have you ever been caught out in the traffic-filled Thames Estuary in a rain or snow-filled gale from the east and a spring ebb tide combining to kick up those short sharp waves which make progress impossible? Give me the mid-Atlantic any day!

tests and calculations on aspects of design and construction, such as stability. For companies of this size adhering to the new EC directive may require considerable extra work, which would prove uneconomic and cause some to close down.

The directive's primary aim is to break down barriers to trade within Europe. Minimum standards for the manufacture of boats and their equipment is, therefore, being drawn up by the International Standards Organisation. Once finalised, these will be adopted by CEN, the European standards body, and will be backed up in law by the directive.

## A yen for boats

Keith Wheatley reports on Japan's new love affair

INTERESTED in the future of boating should try these three key questions: Which country has the world's most successful racing yachtsmen chosen to ply his trade? What boat show has become the mecca for yacht manufacturers? Who won the 1990 Kenwood Cup for high performance offshore yachts?

The answers are: Japan, Tokyo, Japan. Chris Dickson, formerly of New Zealand, spearheads the Nippon challenge for the 1992 America's Cup at a reported salary of \$800,000 (£474,000) a year. Tokyo Boat Show attracts 150,000 high-spending visitors each year. Japan blitzed a high-level fleet at the Kenwood to win its first international sailing championship.

Few people in the marine industry doubt that Japan in the 1990s will become both a huge source of boats and hardware and a considerable market for imported western equipment. The enthusiasm for sailing is growing almost daily.

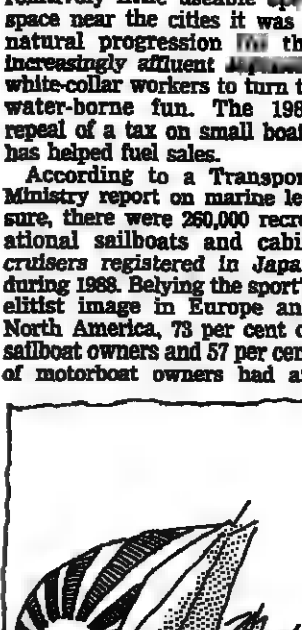
Wherever Dickson goes in Japan he is surrounded by children wanting his autograph. "What I like about working with the Japanese is that they are professional, intentional, they think long-term and they are in love with sailing," he says. "We still have a long way to go with this challenge but it won't be for want of resources."

Thirty blue-chip Japanese companies ranging from Mazda to Sanyo, have each contributed more than \$1m to the Nippon Fighting Fund. Already America's Cup yachts - designed and built at Glasgow City 200m west of Tokyo - to Sanyo for a year of pre-Cup trials and training. "We feel that sailing is going to be very good for our company's sporting image," says Kenji Iwata, head of overseas marketing at Mazda, which is sponsoring the Mazda race sailing circuit.

"We think that to bring the feeling of Mazda up towards European cars like BMW and Mercedes, sailing is very important. And the interest in Japan is becoming very good indeed."

With a large population and relatively little useable space near the cities it was a natural progression for the increasingly affluent Japanese white-collar workers to turn to water-borne fun. The 1989 repeal of a tax on small boats has helped fuel sales.

According to a Transport Ministry report on marine leisure, there were 260,000 recreational sailboats and cabin cruisers registered in Japan during 1988. Belying the sport's elitist image in Europe and North America, 75 per cent of sailboat owners and 57 per cent of motorboat owners had an annual income of less than \$20,000.



annual income of less than \$20,000

Department stores are cashing in on the surge. Seibu, one of Tokyo's biggest retailers, has an entire floor devoted to marine leisure. British manufacturers have not been slow to realise that stores such as Isetan and Mitsukoshi have begun to specialise in imported boats and equipment.

As in Europe, this phenomenon has led to a huge increase in marina construction and waterside apartments. In spite of the 260,000 boats, there is only marina accommodation at present for 50,000, the remainder being on swinging moorings in fishing harbours or trailer-sailors.

Hundreds of fishing ports and derelict dock areas are being converted to pleasure boat use, sometimes to the chagrin of the highly traditional and influential fishing industry. Nevertheless, the Japanese government sees marine leisure as providing an economic "locomotive" into the 1990s.

The Ministry of Transport stepped into the arena with the "Marine 1999 programme" to increase moorings threefold over the coming decade. However, the public sector's involvement is largely through the planning process and compensating dislocated fishermen.

Marina construction and operation is largely in the private sector. Zushi Marina is selling condominiums with mooring rights attached for around ¥100m an hour from Tokyo and has been beating back the rush of prospective purchasers.

"The Japanese are enjoying much more leisure time in recent years and sailing is becoming more sophisticated," their choice of outdoor sports," says Kawai of Yamaha, who intends marine products to provide the growth in the past.

"There is a very large market potential here but unfortunately it is being held back by lack of adequate facilities. We need to develop more opportunities to get out on the water that are easily accessible and reasonably priced."

On the sporting front, Japan wants very much to produce world champions on the water. Collegiate sailing is becoming the most significant participant sport among young people. Many a bay on the coast near Tokyo will have close to 100 470-class dinghies racing on a summer's afternoon.

The most enormous impact would be produced by success in the America's Cup. "We're trying for something very big. We want to show the younger Japanese that this country can do something of world status," says a Nippon Challenge spokesman.

"Japan has proven," says Kaoru Ogimi, chairman of the Nippon Ocean Racing Club, "that it can take on the world's best sailors and make substantial improvements in the hardware. The people question is whether the technology is obsolete."

Yet with the help of international sportsmen such as Dickson, bought with cash but kept happy by commitment, judgment could already be obsolete.

## Question of duty

The EC is threatening yachtsmen with taxing tasks

THERE will be some hard smiles around the Earls Court Boat Show in 1993 if the European Commission decides that following Europe's integration, VAT on exported boats is to be payable at the country of origin.

In EC countries, VAT varies between 14 and 20 per cent. Under the new proposals, no matter where a boat is exported inside the EC, tax will be payable at its country of origin. The 15 per cent VAT charged on the purchase of a British boat compares with 18.6 per cent TVA charged on a French boat. This would make a £100,000 boat from a British builder £3,600 cheaper than a similar French boat.

While European integration may be good for the UK boating business, it is likely to have the opposite effect on small boat builders throughout the EC.

A directive on recreational craft between 80-70ft was submitted to the European Commission early last year by ICOMIA, the international association of marine industries. It states that following European integration, all boats manufactured within the EC will be required to carry a marking, such as CE89, which will show the boat's year of construction and that it complies with one of the directive's four new types of boat construction certification.

For large boat builders, the main requirement will be to establish quality control. This is unlikely to cause much change as many already operate quality control procedures, such as Lloyd's ACC certification, which should exceed the directive's requirements.

Small builders, with an annual production of less than five (or more than 20 if the boats are shorter than 18ft 6ins), will be required to draw up full technical documentation for their boats to cover design, manufacture and operation. These builders would also be obliged to carry out

protection. According to the Royal Yachting Association's cruising secretary, Robin Sjoberg, had it not been for the stability working group, on which he sits, sailing dinghies may have been banned by ISO. We had to impress on the group that the fact of sailing a dinghy is that it turns over," he says.

The RYA was initially worried by a part of the directive which stated that boat builders would have to mark each boat with a "boat usage group" both on its hull and in its documentation. These usage groups range from boats "suitable for extended" to those "suitable for voyages on small rivers, small lakes and canals".

The ISO technical committee for boating has 22 working groups, which deal with such things as boat stability and fire tests and calculations on aspects of design and construction, such as stability. For companies of this size adhering to the new EC directive may require considerable extra work, which would prove uneconomic and cause some to close down.

The directive's primary aim is to break down barriers to trade within Europe. Minimum standards for the manufacture of boats and their equipment is, therefore, being drawn up by the International Standards Organisation. Once finalised, these will be adopted by CEN, the European standards body, and will be backed up in law by the directive.

The RYA feared this would dictate how owners would be obliged to use their boats. However, it is now clear that the boat usage group is merely

the possibility of paying tax on boats is likely to be a sufficient incentive for many owners to move their craft from the EC to locations such as Yugoslavia or the Channel Islands. The Commission is in the process of trying to find out if, by introducing the legislation, it is about to shoot itself in the foot.

James Boyd

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# Cost-conscious chic for the needy '90s

and trouble about everything from the meals you cook to the clothes you buy. It means recycling whenever you can, which needn't be as dreary ■■■ it sounds — repainting a battered chest and turning it into ■■ desirable acquisition can be fun ■■ well ■■ hard work. So this week's page ■■ dedicated ■■ providing some inspiration for all those who, ■■ matter what their income, feel that spending wildly is not only out of fashion but in very poor taste, who feel that it's perfectly possible ■■ have just ■■ much fun while spending a great deal less.

## A circular logo with the text "LIVING ON LESS" around the perimeter and "1991" in the center.

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gun. Fabric can be stapled to walls and the staples can be zippy rope bought cheaply from Meade Chandlers. Tricia Johnson gave her conservatory a look in a day using a gun and 50 metres of fabric bought at a metre in a sale.

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out. Conrad and Tricia Jameson (29 Elystan Street, London SW3) are experts at conjuring magical interiors out of unprepossessing beginnings. Mostly they for the exceptionally well-heeled but they have caught the mood of the moment and are busy exploring ways of producing equally stunning interiors while spending

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## BOOKS

# Survival in the shadow of the tyrant

Anthony Curtis on the author of 'The White Guard'

AS TODAY we watch the falling apart of the Soviet Union, it is illuminating to turn to the work of Mikhail Bulgakov (1891-1940), a writer who lived through the Bolshevik takeover in one key area, the Ukraine and its main city Kiev.

A confused sequence of events in the Ukraine came to a climax in 1918. The bloody and decisive battle for Kiev raged between December 1918 and February 1919. The city was then nominally under the power of a Hetman or Cossack ruler. The Russian Volunteer Army or White Guard (who may be thought of as somewhat analogous to the Raj at the time of the Mutiny) had mobilised itself to try to prop up the Hetmanite administration. It aimed to keep out not just the Bolsheviks, but more immediately the Ukrainian Republicans, who had been aided by German forces eager to exploit the turmoil. There was also a sizeable Jewish population which stood to suffer whoever ultimately won control. The chain of command within the city was extremely weak as the attackers advanced.

Bulgakov recorded these momentous events as they affected one Russian family in his great novel *The White Guard*. He belonged to a Kiev-based clan of able professional people, lawyers, academics and doctors; medicine was his own first profession. The Bulgakovs occupied a house in the centre of Kiev close to where much of the fighting occurred. It became an apartment block in the novel, the eye of the storm, through which the reader experiences the Revolution. A reading of the novel today helps one to understand in human and historical terms why the Ukraine is so determined to regain its independence.

Bulgakov had worked in the White army as part of an ambulance unit during some of the bloodiest fighting. Afterwards he practised as a country doctor in the Caucasus and became a specialist in venereal disease, before he decided to abandon medicine for literature. That was in 1921, as Lesley Milne reveals in this scholarly study of Bulgakov's fascinating career.

Bulgakov's early writings took the form of journalism, but he soon came to detect the life of a *feuilletoniste* or regular contributor to literary magazines. Like that other great Russian doctor turned creative writer, Chekhov, Bulgakov's imagination soared above the clinical and teemed with plans for stories, plays and novels. There are some similarities between the two careers, but also crucial differences, the main one being that Bulgakov's work was all written

(though by no means all published and performed) under Stalin. One of the characters in the play he made out of *The White Guard* – seen in London first in 1937 with Michael Redgrave and later performed by the RSC at the Aldwych Theatre in May 1979 – carries the complete works of Chekhov around with him. There is a distinctly Chekhovian flavour about the whole play, which was presented at the Moscow Arts Theatre whose chief director was Stanislavsky. Bulgakov later gave a satirical account of the famous Stanislavsky Method in his novel, *Black Snow*.

Perhaps the salient theme to



Mikhail Bulgakov in 1926: a giant of post-modernism

**MIKHAIL BULGAKOV: A CRITICAL BIOGRAPHY**  
by Lesley Milne  
Cambridge £25, 324 pages

be extracted from Lesley Milne's book is that of artistic survival against impossible odds. It shows how an artist of sterling integrity was somehow able to continue to work and to develop his great gift under constant blows from the tyrant's knout – creative and financial constraints, bureaucratic supervisions and prohibitions, recommendations to re-write his material to make it more acceptable, procrustean and sudden arbitrary withdrawals of his plays from the repertoire.

One way of trying to by-pass the vigilance of the censorship committee was by developing a mode of writing known as *Asopism* – the story-teller became a fabulist in which the deeper, more urgently topical

meaning of his tale lay concealed beneath its surface. Bulgakov's *Asopism* masterpiece is the novella *Heart of a Dog* (available in *Penguin Classics* at £4.99) in which a fastidious, opera-loving Moscow surgeon of the old school performs a brain and gland transplant upon a stray mongrel, turning him into a rabid *aparatchik* determined to purge the city of cats. The period is the 1920s, the time of the New Economic Policy and the first great housing shortages, but the work transcends its period and may be compared with the best fables of Orwell and Swift.

Bulgakov's two major novels are *The White Guard*, which does for Kiev what *Ulysses* did for Dublin, and his final work, *The Master and Margarita* – a multi-layered novel which shifts from contemporary Moscow to Jerusalem at the time of Christ, and which was not published until 1967, a quarter of a century after Bulgakov's death.

In his lifetime he made several direct appeals to leave the Soviet Union in the form of letters to Stalin. One of these was answered – as in the case of Pasternak – by a cryptic telephone call from the dictator himself which for a time changed Bulgakov's life. Stalin liked *The White Guard* and gave his guarded approval of the dramatic version on the rather specious grounds that it demonstrated the over-riding power of the Bolsheviks. Bulgakov also wrote plays on such themes as the psychology of exiles who returned to Russia after the Revolution and about literary heroes like Pushkin, *Don Quixote*. For a while in the late 1930s he was prosperous and famous, but his time of glory in Moscow did not last for long. The official censors and party hacks saw that.

Lesley Milne is a lecturer in the Department of Slavonic Studies at the University of Nottingham and in this intelligent, textually-oriented book she is not really writing for the general reader. We learn little of Bulgakov's three wives but a great deal about the various redactions (revised versions) of *The White Guard* and the projected sequels to it. Milne has been studying this author for a long time. As far back as 1979 she wrote the introduction to the translation by Michael Glenny of the version of *The White Guard* performed by the RSC. This showed that Milne is also capable of writing about Bulgakov in a form that is readily accessible. Without in any way wishing to belittle the present work, I feel we need to have a less academic biography of a writer who is not only a delight to read but who is without doubt one of the giants of post-modernism.



THE FIRST printing of *Alice* was a disaster. The Clarendon Press had an off-day and made a hash of text and drawings. Tenniel was furious and Macmillan's suppressed the printing, though Dodgson took some copies and gave a specially bound one to Alice Liddell on July 4 1865, the third anniversary of the punting picnic when he first told the story. In 1866 the regular first edition came out, printed by Richard Clay. The picture shows an original 1865 Tenniel pencil drawing. A few copies survive of the 1865 printing and are worth £125,000 or more. The most important is Macmillan's file copy, with publisher's corrections and ten original Tenniel drawings bound in. Justin G. Schiller has identified it and owns it. It survived at Macmillan's till 1899 when Louis Samuel Montagu bought it for his infant son, who sold it for £5000 in 1928. Then it went to bibliophiles. In a delightful volume Schiller describes the 1865 printing and catalogues and illustrates the extant original drawings of Alice and *Through the Looking-Glass*. Particularly enjoyable are the accounts (by Selwyn H. Goodacre) of the later history of the 23 known copies of the 1865 printing. One was found in a bag of old books in South London, another bought for 2 rupees in Bangalore in 1950. The late Duke of Gloucester bought one at Sotheby's for £1200 in 1947, with Maggs bidding for him, but in 1952 he returned it to Macg. (Why?) Alice's *Adventures in Wonderland*: an 1865 printing (111 pages, 575x425) is obtainable from Battered Ltd, PO Box 2286, Kingston, NY 12401 USA.

## A columnist in the confessional

J.D.F. Jones discovers the truth about the real Peter Simple

HERE IS the second instalment of one of the finest of Fleet Street autobiographies. Michael Wharton wrote the "Peter Simple" column in the *Daily Telegraph* for no fewer than 30 years. Unlike certain of his colleagues he never became a public figure, and it becomes immediately clear from these pages why he could not have aspired to the part, even when his column became one of the most distinctive and successful features in the trade. His first volume was called *The Missing Will*. *A Dubious Codicil* takes up the tale in 1967.

*Telegraph* readers should perhaps be warned that they are in for a shock. They might assume that the journalists of that paper would be among the

more respectable and decorous inhabitants of the "Street of Shame". Far from it, the rest of Fleet Street has always used to be – have they changed now that they are marooned on the Isle of Dogs? – the wildest, the drunkest, the most disreputable and eccentric of all of us. Wharton, whose photograph on the jacket makes him look like a vicar on vacation, was of the inner sanctum in the *Kings and Queens*.

There have been plenty of self-regarding memoirs from Editors and Very Important Journalists, full of hints of ministerial indiscretion and what the P.M. said over lunch – there were several last year – but he reassured that this is a very different kettle of fish.

**A DUBIOUS CODICIL**  
by Michael Wharton  
Chatto & Windus £15.99, 261 pages

Beyond the splendid flow of anecdotes from the pub (the book is awash with alcohol), and behind the simple pleasure of fine writing, here are the confessions of an honest, modest man gifted with wit and imagination.

And confess he does. Timidity. Inadequacy. Sex. Booze. His wife's infidelity (and his own). Mid-life mental breakdown. Friends, colleagues, colleagues. Sense of failure. Fear of death. (None of this is pretentious; he can also be very funny.) I write as a non-admirer of

"Peter Simple", except to grant that it has made a contribution to the English language. I am tempted to say that when Wharton gets going on certain pet topics (such as TV, Rhodesia or black skins) he deserves to be taken back to his mental asylum. But the insight which he describes how he invented himself-as-columnist is fascinating.

"Those were the days..." he writes, not untypically, "when the last remnants of the British Empire in Africa were liquidated and replaced by pseudo-states under 'black majority rule'; and, by a strange process of reversal, when the first batches of immigrants were arriving in England. Those were the days also when television began to take a hold on minds and habits, stealthily

growing from an ingenious toy into one of the great evils of the modern world – in the life of England. Bogus art and every sort of impudent imposture began to flourish as never before. Such was the rich and abundant material 'Peter Simple' had to work on. Like Juvenal who had written in the decadence of Imperial Rome, I found it impossible not to write satire. The difficulty was to find a way to do it: a column with fictitious 'characters' epitomising various types of detestable humbug seemed the best way...

No wonder they tried to take him to the Isle of Dogs. But he knew that after 30 years it would be better to go down with the *Street*, and that is where, in 1987, he leaves us.

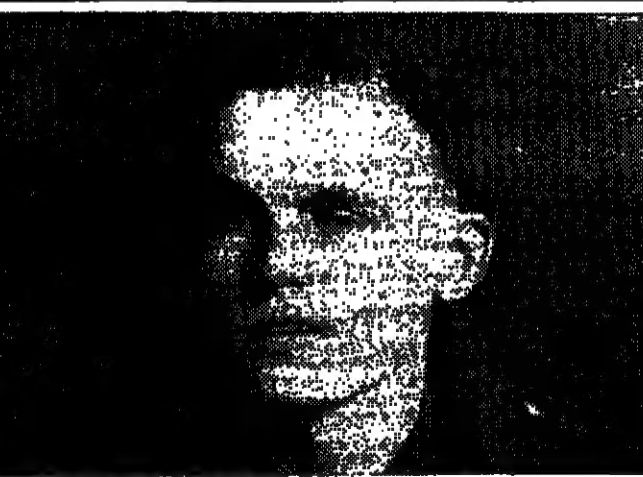
## Lewis: loss of a true writer

ALUN LEWIS was killed in an accident in Burma in 1944; he was not quite thirty. Yet he had already published collections of poems and stories. Together with some of his letters and unpublished material, all his work is now being gathered by Cary Archard into a uniform edition, of which this is the first volume. Lewis was a true writer, and might well have been great.

Born and bred in Aberdare, Lewis could write of one character how "Being a Welshman he sang with the greatest understanding." It is the case that he wrote with some of that "great sadness" about small mining towns and streams blackened with coal-dust and the kind of unending life that existed in the countryside where he grew up. Keeper of the Lewis shrine, Cary Archard seems to want to make sure that we grasp how Welsh it is.

More to the point, though, Lewis was that modern archetype, the scholarship boy who hoped that literature would reveal horizons beyond his home. After six years as a student at Aberystwyth and Manchester, he might have become a history don, and rather told signs of earning find their way into some early stories. Instead he chose to return to South Wales as a school teacher in the belief that this gave him more chance to write.

If anyone influenced him, it was D.H. Lawrence. Lewis could tend to sentimentalise in that vein, and one of his best-known stories, *The Wanderers*, is a Lawrenceian romance of gypsies. What was particular was his ear for conversation. His dialogue conveys with mar-



Alun Lewis: a Welshman both poetic and succinct

**ALUN LEWIS: COLLECTED STORIES**  
edited by Cary Archard  
Seren Books £14.95, 367 pages

vellous accuracy and brevity scenes over which a lesser writer might have laboured at length. A Welsh Lawrence is rather a dreadful thought, and the war certainly put paid to any such prospect, galvanising his nervous energy – as it did with Keith Douglas. The comparison comes naturally, two young and gifted men determined not to miss a single thing in the intensity of the moment. At hand were "enlargements of the imagination", to use a phrase from one of his stories.

Obviously a capable man, Lewis was soon commissioned in the Royal Engineers. What affected him was the immediate transformation of the civilian into the soldier, of the Welsh provincial into someone caught by the sweep of the world's passion and fury. The miseries of parting became his subject; love affairs suddenly interrupted or turning unsatisfactory, transience, and sudden confidence or affection between strangers. At that time, in 1940, he had himself just married, and a number of his characters find themselves becoming parents, willingly or unwillingly. Worry about the home front was brilliantly caught. He is a master of the frightening journey, when the

traveller is somehow in the wrong or in unsuitable company. Developing his style he managed often to be both poetic and succinct. "Her special smile, like a smear of margarine", he could invent; or, in another example, a toad in a pond shows "his back, rusty with jewels".

In 1942, he was posted to India, where he wrote some evocative letters to his wife (published in an earlier companion volume). By now he had been recognised, and his stories from India appeared in *Corydon* and *Horizon* or in *New Writing*, amid excitement at the talent. *The Raid* is built around the arrest of an Indian terrorist wanted for the murder of British soldiers, and it is a classic of its kind. Cary Archard thinks that *The Orange Grove* is Lewis's masterpiece – it was one of the *Horizon* stories. In the depths of India, two men in a lorry are ambushed by the weather and nationalists. The driver is stabbed to death, and his officer finds that he cannot fend for himself in a setting hostile to him and to everything he represents.

What was lost through his untimely death it is impossible to say – today he would have still been only 75 – but I think those who believe that the purpose of literature is to give offence might not have had such an easy run of it.

David Pryce-Jones

## The other half of the Apennines

ANYONE WHO has seen Eric Newby's marvellous personal account of *Love and War in the Apennines* will enjoy this book. It is the other side of the story, as told by the woman he fell in love with while he was hiding from the Germans in Italy during the last war.

But Wanda Newby's memoirs of her childhood and the war years in Italy are more than just a complement to her husband's story. In a straightforward, and unpretentious style, they capture the mood of day-to-day life first in a Slovenian village in the limestone country above Trieste and then in another village in the flat plains of the Po near Parma.

Wanda Newby was born the year Mussolini came to power. Throughout the book there is the menacing, uncomfortable presence of Italian Fascism and the Duce. Although everyday life somehow seemed to go on in that all-Italian way of the long lazy summers, the afternoon walks in the town centre, the warmth of the kitchen, the religious holidays and their gargantuan meals, in Fascism deeply affected the life of Wanda Newby and her family.

Her father was a Slovenian village schoolmaster and was deported with his family to the village of Fontanellato near Parma by the Fascist regime. Her brother, before that, emigrated to Argentina. Ordinary people of anti-Fascist sympathies showed extraordinary courage in the simplest of ways in Italy. Wanda Newby's account is another example of how a very large number of anonymous and ordinary Italians coped with and challenged the Fascist regime and the German occupation.

Her book reflects the same spirit of those memorable black and white Italian films about the war, Mussolini and the German occupation. These

**PEACE AND WAR: GROWING UP IN FASCIST ITALY**  
by Wanda Newby  
Collins £14.99, 187 pages

films always managed to combine laughter and tears, the absurdity of the Fascist leaders and the courage often driven by fear of the ordinary decent citizen.

In Wanda Newby's story the cast includes a local anti-Fascist doctor, a remarkable nun called Sister Eusebia who outwitted the guards to enable Eric Newby to escape from hospital into the mountains, the mother of her wealthy friend Valeria who prepared roast chickens and other treats to feed the British soldiers in hiding, and hosts more. There were also, of course, the villains: the informants who created a feeling of suspicion in village life and one who denounced Wanda Newby's own father: the "black shirt" leaders and their henchmen.

But Wanda Newby admits that she also fell briefly under the spell of Mussolini. In September 1938, when she was sixteen, she went back to her native Slovenia to see family and friends, but also to see Mussolini, who was going to Trieste on an official visit. Her father told her he did not object to her seeing Mussolini but would be very upset if she applauded or cheered the Duce.

However, Mussolini had a wholly unexpected effect on Wanda. "I found his personality irresistibly magnetic and at the end of his speech I joined the rest of the huge crowd in tumultuous cheering. It was an experience I will never forget, and one of which, when I returned home, I felt deeply ashamed. I never told my parents".

Paul Betts

## An inward hooligan

Geoffrey Moore on Edward Blishen's reminiscences

"BLISHEN, EDWARD: author: b 29 April 1920... m 1948 Nancy Smith; two. Educ. Queen Elizabeth's Grammar School, Barnet; agricultural worker 1941-46... Address: Hadley Wood, Barnet."

No need to read much further in *Who's Who* because it is all in the books, of which there have been a dozen before this latest instalment. Except, of course, that in the text wife Nancy becomes "a woman called Kate". Hadley is changed to "Barley", and so forth.

Blishen's title comes from "A Cooking Egg", the fourth poem in *T.S. Eliot's Poems 1920* – which he apparently read when he was 17. Eliot's plaintive cry for the "eagles and the trumpets" in a world of weeping multitudes dropping in 100 ABCs caught Blishen's imagination. But more so did the figure of Pipit with whom the protagonist is described as sitting "behind the screen", sharing with her a "penny world". With Pipit Blishen fell in love.

This reminiscence is intriguing but at the same time disconcerting because it is sandwiched between Chapter 6, which seems to be about a holiday in Spain, and Chapter 8 which *inter alia* describes an interview with Nirad Chau-



**THE PENNY WORLD**  
by Edward Blishen  
Scribner-Stevens £14.95, 258 pages

dhuri. The basis of the book is a visit to India – in company with a motley collection of other travellers – to celebrate the forty years of the author's marriage to "Kate". The Indian part is dealt with in an engaging and amusing manner. *The Penny World* is entertaining and intelligent yet there is something wrong. We know that when a person is nearing 70 events float into the mind which have a delicious relevance for the footee; it has

even been known to happen a lot earlier. However, it is a fatal mistake to imagine that these reminiscences will be equally delicious to the reader. A certain order and selection becomes necessary if the book is not to disintegrate. Blishen ignores order and selection, throws up his hands, labels his memories "dreams" and shrugs the whole thing off as "inward hooliganism".

However, there is a more important caveat which applies not only to *The Penny World* but also to almost everything that Blishen writes. We have all had experiences in our lives which are important but which we would just as well forget. The serious writer meets such experiences head on and transforms them through fiction or autobiography. Blishen's technique is to turn everything into entertainment. Without being quite as frothy as, say, the late author of *The Moon's a Balloon* his light and amusing touch gives the reader delight but not satisfaction. It is a pity because his response to the human condition is sensitive and extremely interesting. Perhaps in his next book (for there must surely be another) he will dare to be a Daniel rather than an Edward and boldly go into the lion's den.

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# TELEVISION

SATURDAY

**BBC1**

7.00 Crystal Tops And Allstars. 7.25 Janosch's Story Time. 7.30 Babar. 7.55 Eggs 'N' Bacon. 8.25 Breznevartz. 9.00 Going Live! 12.12 Weather.

12.15 Grandstand. With Desmond Lynam 12.20 Football 12.45 Racing From Haydock Park 12.55 Football 1.05 News 1.15 Racing From Haydock Park 1.25 Skating 1.45 Racing From Haydock Park 1.55 Ice Hockey: Cardiff Devils v Murrayfield Racers 2.55 Cycle-Cross 3.50 Football 4.00 Cricket: Highlights of the second day's play in the Third Test 4.40 Final Score (Timings subject to change).

5.05 News. National Weather. 5.15 Regional News And Sport. 5.20 The Flying Doctors. Emma and Sam face a fight to keep their property. Chris and Geoff are drawn into a family conflict when two brothers deny knowing each other. And Paula sets her sights on Geoff to help her out of her homelessness.

6.05 Challenge Ameka. Ameka Riles tackled the renovation of a Methodist chapel in Telford to provide short-term accommodation for homeless youngsters.

6.55 All About Return of the comedy starring Gordon Kaye and Carmen Silvera. Newly-weds Fanny and Leclerc are sent to jail by the Germans for flying around in a biplane attached to a balloon.

7.25 The Paul Daniels Magic Show. (New Series) Illusions from Paul and his guests the acrobatic Ash-ton family from Las Vegas, for whom Paul arranges an unexpected reunion, and two members of Canada's Cirque du Soleil.

8.10 Bergerac. (New Series) Something to do with the starring John Bergerac. Jim is invited to a fashion show in Aix-en-Provence by Danielle's cousin, a talented designer who is subsequently accused of murdering a client.

9.05 News And Sport. Weather. 9.25 Midnight Caller. (New Series) A Switch In Time Part 1. Gary Cole stars as the cop who investigates a night club robbery and Jack Killian, fighting crime from his studio.

10.15 Match Of The Day. 11.25 Film: Electric Blue In Blue (1972). With Michael Ryan. Produced and directed by James William Guercio.

**BBC2**

8.00 Open University. 10.25 Romer's Egypt. 11.25 Made By Man. 11.50 The Homecoming. 12.15 Film: Mr. Blandings Builds His Dream House (1948). 1.45 Animation Now. 1.55 Under The Sun. 2.45 Mahabharat. 3.25 Animation Now.

3.35 Film: The Pride And The Passion (1957). Starring Cary Grant, Frank Sinatra and Sophia Loren. A British army captain rescues a huge Spanish cannon before it falls into Napoleon's hands, but a Spanish guerrilla leader insists on dragging the gun across country to attack the French garrison at Avila a perilous journey during which the weapon seems to acquire a life of its own.

5.45 Prepare For Crash Landing. The findings of an investigation into the injuries sustained by passengers aboard the British Midland jet which crashed on the M1 in Leicestershire two years ago indicate that radical but simple changes could reduce injuries in air crashes and save lives.

6.15 Darts. Tony Gubba introduces highlights from this afternoon's three first-round matches in the Embassy World Professional Championship.

7.15 News. Weather. 8.00 Something Rich And Strange. A profile of the composer Ianis Xenakis. Orchestral music by this modern Renaissance man played by the Orchestre de Paris, and Roger Woodward tackles one of his piano pieces, Enola.

9.00 A Life In Pieces. Peter Cook, who died of a heart attack, chooses his 12 Christmas gifts. Oranges Are Not The Only Fruit. Jeanette Winterson's dramatization, starring Geraldine McEwan and Kenneth Cranham. Set in Lancashire during the 60s and 70s, the story centres on 7-year-old Jess, who is sent to a boarding school, and her journey through the world's most popular crime fiction to the purpose of bringing her up as a missionary.

10.00 Film: Apocalypse Now (1979). Starring Martin Sheen, Robert Duvall and Martin Sheen. Francis Ford Coppola's remarkable war film combining Joseph Conrad and Vietnam in the story of a US Army captain's odyssey through Cambodia on a quest and a deadly mission who has established his own empire in the jungle.

12.25 Film: The World Professional Championship.

**LWT**

8.00 TV-Art. 9.25 Motormouth. 11.30 The ITV Channel Show. 12.30 Saint & Gravelle. 1.00 ITV News. National Weather.

1.10 Grand Sportmaster. Dickie Davies introduces the best players from the past series of the quiz as they start their bid to become Grand Sportmaster.

1.40 World Sport Special. Classic moments of sporting history from around the world.

2.10 Tonnets West Highland Yachting Week. A look at one of the major events on the Scottish yachting calendar.

3.05 Snooker. The Mercantile Credit Classic. First of four visits this weekend to this £200,000 ranking tournament at the Leisure Centre, Bournemouth. 4.45 Results Service.

5.00 ITN News. National Weather. 5.05 LWT News And LWT Weather. 5.15 The Time Of The Year. 5.25 Catchphrase Celebrity Special. Special charity edition of the hit quiz hosted by Roy Walker.

5.55 Beverly Hills 90210. Special feature-length episode which introduces a new series about one of the wealthiest communities in the world, Beverly Hills, California.

7.45 Blind Date. 8.00 ITN News And Sport. Weather. 8.05 Palmer. Ray Winston stars as Eddie Palmer, an inexperienced detective who runs a private investigation agency in Brighton, employing a bizarre assortment of oddball would-be agents. The team manage to solve their cases more through good luck than good management but their luck seems to run out when they are faced with child abduction. With Oona Byrne and Geraldine McEwan.

10.40 The Trouble With Agatha Christie. Michael Aspel presents a special programme in which he explores the mysteries that surround the world's most popular crime fiction writer. Angela Lansbury, David Suchet and Peter Ustinov all talk about the famous characters she created for family and friends reveal new insights into the character of Agatha Christie herself.

11.40 Snooker. 12.30 The Winds Of War. Part Two. Starring Robert Mitchum, Victoria Tennant, Jan-Michael Vincent and Al McGraw.

2.30 The Memory Of Eva Ryker (1980). Starring Natalia Wood in mother/daughter dual role.

**CHANNEL4**

6.00 Comic Book. 7.30 News Summary. 7.35 International Times. 8.00 Transworld Sport. 9.00 News Summary. 9.03 Channel 4 Racing. 9.25 Sing And Swing. 9.30 Listening Eye: Signs Of Our Times. 10.00 Matters Of Taste. 10.30 Balman And Robin. 11.10 The Adventures Of Tintin. 11.25 Tony Jacklin's Pro-Celebrity Golf Challenge. 12.25 American Football Red 42. A repeat of yesterday's magazine programme with Mick Luckhurst and Gary Imlich. 12.55 Channel 4 racing From Sandown Park. John Franciosa introduces the 1.00, 1.30, 2.05 Anthony Mildmay, Peter Cazalet Memorial Chase, and the 2.35. 3.00 Film: Love Story (1944). Romantic melodrama starring Margaret Lockwood as a pianist and composer who learns that she is dying, and falls in love with former RAF flyer, Stewart Granger, who is going blind. (B/W) 5.05 Brookside Omnibus. The Dixons throw a New Year's Eve party. Brock's cover is suddenly blown, and Mike's plans for revenge backfire. 6.30 News Summary And Weather. Followed by Opera On 4: The Ring (Der Ring Des Nibelungen). Siegfried. Channel 4's screening of Richard Wagner's Der Ring Des Nibelungen continues with the third part, in which Siegfried Jerusalem sings Siegfried. James Levine conducts the Metropolitan Opera. 11.15 Film: Bedazzled (1967). Comedy starring Peter Cook as the Devil and Dudley Moore as the man whose soul he buys in exchange for seven wishes. 1.10 Close.

**REGIONS**

**SAC as Channel 4 except:**  
10.00 Owl TV. 11.10 The Three Stooges. 11.25 Traveller. 11.55 Jonathan Ross. 6.00 Teatime. 7.10 Gwyn Gwynn. 8.10 V. Mass. 8.25. 8.30 Hollywood Mavericks. 10.00 The Further Adventures Of Billy The Fish. 10.45 Film: Ringing Bell. 11.45 Regions as London except at the following times:  
12.05 Anglia News. 2.10 The A-Team. 5.05 Anglia News And Sport.  
**SCOTLAND**  
1.05 Border News. 1.30 Sharncliffe International. 2.00 The Spectator World Of Guinness. 2.05 Border News. 5.05 Border News And Border Birthdays.  
**CENTRAL**  
1.00 Sky Tip. 2.05 Owl Of Limits. 2.10 The Spectator World Of Guinness Records. 5.10 Central News.  
**GRAMPAN**  
1.40 Dances. An Fionnuala-Roch (The Grasshopper). 2.10 The Grasshopper. 2.45 Scotland Results. 5.10 Grampian.  
**GRANADA**  
1.05 Granada News. 1.40 Match. 2.35 Cartoon. 2.40 The Spectator World Of Guinness Records. 5.10 Granada News.  
**HTV WEST**  
1.05 HTV News. 2.10 The Young Riders. 5.10 HTV News.  
**HTV Wales as HTV West.**  
**SCOTTISH** 1.05 Scotland Today. 1.40 Here Come The Double Deckers. 2.55 Run The Gauntlet. 3.10 Scotland Today. 4.45 Scotland Results. 5.10 Scotland Today.  
**TSW**  
1.05 TSW News. 1.40 The South West Week. 2.10 Cornwall News. 5.05 TSW News. 5.10 Here Come The Double Deckers.  
**TYS**  
1.05 TYS News. 2.10 Hard Time On Planet Earth. 5.10 TYS News.  
**TYNE TEES**  
1.05 Regional News. 2.10 The A-Team. 5.05 Northern Life - Saturday Special.  
**ULSTER**  
1.05 Ulster News. 1.40 Cinematheca. 2.10 The A-Team. 5.10 Ulster News.  
**YORKSHIRE**  
1.05 Calendar News. 1.40 The A-Team. 2.55 The Spectator World Of Guinness Records. 5.05 Yorkshire. 5.10 Yorkshire News.

**DEEP THOUGHT**, the Gary Kasparov of chessplaying computers, had a quiet 1990, but it may soon start a fresh offensive against human supremacy.

DT's only serious setback came when it took on Kasparov and was routed by his incisive opening and shrewd positional judgment. When DT's programmers claimed that their baby was affected by a reluctance-to-castle bug during the games, there was derision; but a few months later the machine took on Anatoly Karpov and lost only after missing easy endgame draws.

The DT team, has gained backing from IBM. Their aim is to reach a calculation target of one billion moves per second and to renew the challenge to Kasparov by 1995.

Kasparov remained sceptical. He said that at even this dizzy rate of number crunching DT would never beat him. "I can always create something new," he said, arguing that at the highest levels chess computers lack flair. But when a Harvard student, probing for the champion's philosophy, asked "Do you consider chess a spiritual experience?" Kasparov looked at him blankly then laughed, "I don't think I can answer that question".

Karpov found, like earlier GMs, that playing a machine is unsettling if the human loses the initiative. Tony Miles, the former British No 1 blundered a pawn to DT in elementary fashion. As DT and its colleagues gain charisma their effect on many opponents is uncannily reminiscent of Tal's basilisk glare, Fischer's long hooked fingers, or Kasparov's bombardment by thought waves.

**PROBLEM No 864**

**BLACK 2 MEN**

White mates in three moves, against any defence (G Zahod-yakin, 1961).

**Solution Page XIV**

**Leonard Barden**

**BRIDGE**

From teams-of-four. Dealer, E, Love All.

N: A 9 8 2, K 8 5 3, J, J 10 6 4  
W: 10 8 6 4, 7 5 3 2, Q 9 8 2  
S: K 5 4 3, A J, Q 9 8, A K 7 5  
E: A 10 7 2, K 9 6, A 10 7 2, K 9 6, A 10 7 2, K 9 6

From rubber bridge. Dealer, S, Game All.

N: Q 7 3, K 8 5 3, J, A 10 7 2  
W: 10 8 4 3, A 9 7, A 10 9 2, K 9 6  
S: A 5, K 10 3, K 9 4, K 9 6  
E: A 10 7 2, K 9 6, A 10 7 2, K 9 6

E opened with 1♠, S doubled, West led ♠4, and N said 3♠ a strong bid, asking partner to choose the suit. S bid 3♠ which N raised to 4♠. W led ♠2. E won with ♠K, and returned ♠3, a probable singleton. So it W holds ♠Q, E must have the other missing honours for his opening bid. Winning with ♠A, S ruffed ♠5 with ♠2, led ♠3, finessed ♠J, and cashed ♠A. Then ruffing ♠Q, he cashed ♠K, led a club to ♠K, E throwing ♠4, cashed ♠K, and crossed to the ♠A - nine tricks in the bag. ♠9 was led, and declarer had to make one spade on passant. A brilliant performance.

**E P C Cotter**

**CROSSWORD**

No. 7434 Set by GRIFFIN

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday January 16, marked Crossword 7434 on the envelope to the Financial Times, 100 Fleet Street, London EC4A 3DF. Solution on Saturday January 19.

**ACROSS**

1 Explosion carried out lightly? (14)  
10 In field shows scene of conflict (5)  
11 Members grab Alice for using title numbers (9)  
12 Prepared to have FBI agents in section (7)  
13 Uproar, as our Tim's turned 60 (7)  
14 Celebrated books hidden in back study (5)  
15 Rejected a clumsy partner born in India (9)  
17 Therefore man parking inserted coins (5)  
18 Man against equality admitted being unique (8)  
19 Speak to groom after a time (7)  
21 Able to find many a machine operator (8)  
22 See copper with married doctor (5)  
23 Dance with Jack - mother's turned up (8)  
24 One last word before you go... (5)  
25 It's up in N. Greece dancing's lively (6)

**DOWN**

3 Avoid giving notice in the night before (5)  
4 Using loan trees produce a rubbery substance (9)  
5 Drunk races round topless (leight) (5)  
6 George is after resin which is used as fixative (8)  
7 Where one owned up to nothing (7)  
8 French girl can lift aeroplane part (7)  
9 Top prima firing priest (8)  
12 Led is rolling girl's sack (8)  
13 Therefore man parking inserted coins (5)  
14 Man against equality admitted being unique (8)  
15 Speak to groom after a time (7)  
16 Able to find many a machine operator (8)  
17 See copper with married doctor (5)  
18 Dance with Jack - mother's turned up (8)  
19 One last word before you go... (5)  
20 It's up in N. Greece dancing's lively (6)

**Solution and winners of Christmas Crossword**

A. Abbott, Wallingford, Oxfordshire; Mrs P.M. Gordon, Chipping Campden, Gloucestershire; Mrs T.H. Jhaivala, Geneva, Switzerland; L.M. Keet, London; N. Mrs M. Mallinson, Poppleton, Yorkshire; G. Bailey, Brighton, East Sussex; P.W. Schaback, Westfield, Suffolk; H.C. Schwab, London; W.S. Tiller, Langley Vale, Essex; Mrs M. Webster, Penn. Wolverhampton.

# SUNDAY

**BBC1**

6.55 Cocker. Pigeons. BBC All God's Children. 8.55 The Day. 10.00 The Day. 11.00 The Day. 12.00 The Day. 1.00 The Day. 1.10 The Day. 1.20 The Day. 1.30 The Day. 1.40 The Day. 1.50 The Day. 2.00 The Day. 2.10 The Day. 2.20 The Day. 2.30 The Day. 2.40 The Day. 2.50 The Day. 3.00 The Day. 3.10 The Day. 3.20 The Day. 3.30 The Day. 3.40 The Day. 3.50 The Day. 4.00 The Day. 4.10 The Day. 4.20 The Day. 4.30 The Day. 4.40 The Day. 4.50 The Day. 5.00 The Day. 5.10 The Day. 5.20 The Day. 5.30 The Day. 5.40 The Day. 5.50 The Day. 6.00 The Day. 6.10 The Day. 6.20 The Day. 6.30 The Day. 6.40 The Day. 6.50 The Day. 7.00 The Day. 7.10 The Day. 7.20 The Day. 7.30 The Day. 7.40 The Day. 7.50 The Day. 8.00 The Day. 8.10 The Day. 8.20 The Day. 8.30 The Day. 8.40 The Day. 8.50 The Day. 9.00 The Day. 9.10 The Day. 9.20 The Day. 9.30 The Day. 9.40 The Day. 9.50 The Day. 10.00 The Day. 10.10 The Day. 10.20 The Day. 10.30 The Day. 10.40 The Day. 10.50 The Day. 11.00 The Day. 11.10 The Day. 11.20 The Day. 11.30 The Day. 11.40 The 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XVI WEEKEND FT

Private View

## A green spirit from the university of life

Satish Kumar, director of Schumacher College, tells Christian Tyler about its ecological and spiritual values



### 'Prosperity does not equate with lots of goods of shoddy quality'

you will say the end justifies the means. Satish claims that after a false start in the 60s (the hippies were interested mainly themselves, he says) we are entering a new intellectual age, as important as the Enlightenment but anti-rationalist, anti-materialist and anti-specialist. New ages, he said, required new kinds of universities.

Or perhaps, I suggested, Dartington was just jumping on a bandwagon, and the ecology movement would degenerate into just another consumerist fashion? "There is a certain truth in that and we should be aware of it. Nevertheless, the other side is the genuine concern expressed by ordinary people."

"Your questioning is absolutely right. Schumacher ecology is not saying that we go back to a more balanced, thoughtful and less wasteful society. Prosperity does not equate with lots of goods of shoddy quality. People are poor in time, producing and producing all the time. So there is a crisis of emotions, a crisis of happiness, a crisis of living."

FOR A senior post in the University of Life, academic distinctions might even be considered a disqualification. At any rate, Satish Kumar, director of Schumacher College, which opens its doors on January 13 has none.

For the sort of college he is to run, however, the curriculum vitae looks just fine. At nine he became a bald-headed, mendicant monk of the ascetic Jain religion. He walked barefoot through the villages of Rajasthan in north-west India with a painted wooden begging bowl, "taking a little food from each house, like a honeybee" learning 10,000 verses of Sanskrit scripture.

At 18 he left his peripatetic monastery to work with the poor observing Gandhian precepts for the non-violent transformation of society - the Buddhist equivalent of liberation theology. For example, he helped "collect" 4m acres of land from the rich to give to the poor.

Then he read of Bertrand Russell's arrest on an anti-nuclear demonstration in Trafalgar Square. "I said to myself: 'Russell is acting like Gandhi! At the age of 90 he'd rather go to jail than accept nuclear weapons. Here is an old man with the courage of his convictions. I am a young man. What am I doing?'" So he set out, with his friend Prabhakar Menon, on a world peace walk: from Mahatma Gandhi's grave in Delhi by way of Moscow, London and New York to Washington and the grave of John F. Kennedy, 8,000 miles on a vegetarian diet carrying no money.

On the Pakistan a man welcomed them with marigolds. "He was in tears and I was as well. I said to Menon: 'From this day I am not an Indian. Because if I am an Indian, he is a Pakistani. Today I am not a Hindu because you would be a Muslim. I am not a capitalist because you will be a socialist, not black because you are white. Today we are just human beings.'"

This is the kind of idealistic, whole-earth message that the college, which describes itself as "an international centre for studies informed by ecological and spiritual values", will convey to its (largely adult and middle-class) students.

The college is sponsored by the Dartington Hall Trust in Devon, south-west England, on the estate where in 1925 Leonard and Dorothy Elmhirst created an educational and artistic centre (and a progressive school that collapsed in scandal) based on the teachings of Gandhi's own mentor, Rabindranath Tagore.

I sought out Satish (the only name he uses) to enlighten me on the metaphysics of the movement whose adherents have claimed the 90s as their decade. After he had collected me from the station in his 1987 Morris Minor and shown me round, I asked him what he had learned on his world walk.

"I learned more or less what the astronauts learned by going into space. They looked at the earth and they did not see any divisions. They saw one earth, blue, brown, purple, like a painting. All the divisions are skin deep, all that diversity has a tremendous unity underneath it. I was in tears many many times."

"It gave me a sense of proportion: I could walk it in two years, so it's not that big a place. And you can survive without money so it's not that hateful a place."

When Satish finally met Bertrand Russell for tea in west Wales, they disagreed. Russell said the world might be coming to a hideous end - that was the fear that was driving him - and there was no time to be wasted walking round it. "I told him action must be the right action and fear is not the right motivation. Whether the world survives or not is not in our hands. Even in ecological matters it is not the right motivation because when driven by fear

the other way round, like machines. But at the moment market forces seem to control human values and human beings. If our relationship with ecology is wrong, then the market will collapse. You cannot put a value on rivers and oceans or the Himalayas."

"We require a deep shift of attitudes. What is the aim of society - is it to be rich, to acquire goods, or is it to serve and be happy and have relationships with friends and neighbours and so on?"

That sounds like good, old-fashioned Christianity.

"...and good old-fashioned Buddhism and good old-fashioned Hinduism."

So you are still a monk at heart? "But a more worldly monk."

Do you mean a new religion? "I am talking about spirituality, because religion gives you the idea of system, whereas spirituality is more about values. But, yes, I am talking about a green religion, an ecological religion."

Are you trying to create apostles for this religion? "Yes, we are trying to create them. They will come from all over the world. We need to take inspiration from many old religious traditions: Islam, Buddhism, Christianity, American Indian, Bushman, Aboriginal culture."

Will it involve worship? "Some kind of subtle worship, like meditation, sitting by the river and watching the water flow, sitting under the tree and watching the leaves fall."

You sound like the Maharshi in his ashram... this is guru stuff. "No, it isn't. Because I am against any organisation. I am against any cult, any figurehead."

I asked whether Satish thought traditional religions had failed to supply the spiritual purpose he talked of.

"Yes, utterly failed."

Why? "Because they have asked people to adhere to their institutions and routine - coming to the church every Sunday and then for six days how you live has very little to do with it. Religion is not as a recipe book but something which stems from your own understanding and questioning."

Are you looking for a substitute for socialism? "No, nor for any other 'ism', because the moment you put your thinking into an 'ism' it creates its own problems."

I asked Satish to imagine I was a businessman reader of the FT. How would you persuade me that what you are talking about is not just a lot of mystical babblewocky which makes you feel good and makes your acolytes feel good, but which has got really nothing to do with me or the real world?

He was unabashed. "I would start by saying don't pay too much attention to what I am saying, only use me as a reference point who is helping you to question: are you in your own life and society around you fulfilling your potential? Is your relationship with your fellow human beings right? Is your relationship with your own self right?"

But, I replied, making one last throw, suppose I enjoy making money and I am good at it. The by-product of my labour is to create prosperity for other people, but I am not that interested in them. I want to make lots of money, buy a yacht, send my children to Eton, retire at 50 and have floodies to adorn my pied-a-terre in the Barbican.

"And what I am asking you is if you would like to give a few hours to see whether that is a sufficient reason for human existence... that's all. If you ask that question sincerely, genuinely and sincerely and your answer is 'Yes', I have nothing further to say."

## No shares, no pack drill

Michael Thompson-Noel

I DON'T KNOW why, but the ministry of defence is trying to conscript me into the army so as to pack me off to join the British forces being marshalled in the Gulf to fight for cheaper petrol.

I am heartily in favour of cheaper petrol, but hope to convince the army that I am not the sort of chap it should be attempting to enrol.

The first I heard about it was on New Year's Eve. I had put the cat out and got the dog in - it may have been the other way round, for they are meddlesome, contrary creatures - and was wondering whether I had the fortitude to watch Dame Edna's swansong appearance in *Die Fledermaus* at Covent Garden, when the telephone rang.

It was the army.

"I am afraid I don't know the password for tonight," I said, rather cheekily. "In any case, you must have dialled the wrong number."

"On the contrary," said the major at the other end. "This is Operation Wide Net. You may have heard that some of our reservists are proving rather shifty and don't want to join our lads in the Gulf. Well, this is Wide Net - a plan to persuade, recruit or coerce some of you chaps in civvy street to sign on for the duration."

"But why ring me?"

"Because you applied for shares in the recent electricity privatisation."

"But I didn't get any," I said, starting to feel cross. "They sent my cheque back."

"All the more reason," said the major grimly.

"Do you mean," I asked, "that you are ringing on behalf of Lieutenant-General Sir Peter Edgar de la Cour de la Billière, the swashbuckling commander of the British forces in the Gulf?"

"Not directly," said the major. "But the general approves of Operation Wide Net. Now it is my turn to ask some questions. You are a journalist, I believe? Are you a specialist?"

"Certainly not."

"But you string words together?"

"I do when I am feeling well. I'm a bit of a columnist."

"You are reasonably hale and hearty?"

"I play a robust game of tennis, though my job is fairly suspect."

"You're an atheist, I imagine?"

"Of course I am an atheist."

"And you drive a motor car?"

"Yes, I drive a motor car."

"Which consumes its share of petrol?"

"The price of which is worrying."

"The price of which is worrying," I agreed, "but that still doesn't mark me as the sort of chap that Lt-Gen Sir Peter Edgar de la Cour de la Billière would want to disappear across the sand dunes with."

"It says here," I reached for a newspaper, "that when the general was in the Radda frontierland of Aden, he wrote to his superiors that the tough conditions had sorted out the

weak from the strong. Here, he wrote, a man has to be master of self-discipline and of his job, or he will start to waver."

"Well," I said, "I definitely tend towards the weaker end of the spectrum. I am not at all self-disciplined - have virtually no back-bone. Character is what I lack. I am shamelessly introverted. Quite shamelessly shy. At the office, my work-station has been surrounded - at the architect's insistence - by large potted plants, so that no-one can see me. I am a *Pisces*; for heaven's sake."

"I have never fired a rifle nor struck a human being. It is true I raise my voice occasionally, but that is only to disguise the terror insecurities with which I am beset. I am a melancholy sort of fellow. I love sunsets and sea monsters. The only people I can talk to with even the smallest trace of confidence are under six or over 80."

There was silence on the line, so I swept.

"It says here," again I reached for the newspaper - that in Station, Lt-Gen Sir Peter Edgar de la Cour de la Billière was lean and tough-looking. He had a black moustache, wore a paratrooper's smock and floppy hat, and carried a sniper's rifle."

"If I grew a moustache and wore a smock and floppy hat," I said, "Saddam Hussein would sweep the allies into the sea. It would be all over by Easter. If you want to even- up the odds, the moustache of Baghdad would be well advised to leave me alone. I am not officer material, nor even cannon-fodder, there'd be nothing to aim at; I'd just blow away. I am a coward, do you see?"

"I agree you don't sound very promising," said the major heartily. "But you know what was at issue? You understand the theory? You don't disappoint?"

"I agree," I said. "I agree with Bertrand Russell, who was in favour of world government. 'We recognise the need to restrain murderers,' wrote Russell, 'it is even more important to restrain murderous states... What the world most needs is effective laws to control international relations. What was needed, said Russell, was a single armed force to control the world. If this hope was not realised, we faced utter disaster. I agree with that.'"

"But you say you are a coward?"

"95 per cent of us are cowards. Always have been, always will be. The fate of nations has always been decided by the half-per-cent that are stupid enough to be sticking bayonets into one another."

There was a pause, and then the major said: "I hope you put more into your columns that you have put into this conversation - more, at any rate, than *Wyness* and *Bertrand Russell*. You will hear from me again. Operation Wide Net cannot be gamed."

I slammed the phone down. I was really rather cross. I got the car in a state of rebellion, the dog, and watched Dame Edna thrilling her decadent admirers at Covent Garden.

Then I threw them all out.

HAWKS & HANDSAWS

## SPORT/SOCCER

### In a league of their own

Peter Berlin wonders what the big clubs of Europe are playing at

SOCCER'S MASTERS are worried that the game is not exciting enough. One solution to this problem might be to open their committee rooms and board meetings to spectators, because that is where the action is. The time-honoured characteristic that have marked the way Europe's great soccer clubs have been run - mindless conservatism and pompous megalomania - have been swept away on a tide of money. As a result, the motley crew of minor entrepreneurs which controlled the clubs is being ousted out by captains of multinational commerce. Fans all over western Europe are being entertained by boardroom battles, takeover bids, tax-evasion cases, bribery and match-rigging scandals, grandiose expansion plans and multi-million pound transfers. The game has never been wealthier, yet large clubs totter on the verge of bankruptcy.

Strangely, the heaven that has set soccer's growing dough mountain bubbling is the prospect of a single European market at the end of 1992. This has given birth to the idea that somewhere in the stream of directives from the European Commission - among the tomato classifications and kettle specifications - is one that calls for a European soccer league. As a result, top clubs and their owners are starting to jockey for positions in such a league.

In England, Tottenham Hotspur has accumulated debts estimated at £11m through building projects and ill-advised diversification in a desperate attempt to replace Arsenal as London's top club. Bordeaux, locked in bitter rivalry with Olympique Marseilles, owes £24m. Bordeaux's chairman, Claude Be, has resigned and faces police charges relating to building contracts. The club is one of 12 involved with French soccer's Monsieur Publicité, Jean-Claude Darmon, who is at the centre of a scandal over illegal payments to players. Separately, Marseilles is being investigated over tax matters. A long, public slanging-match between Be and Bernard Tapie, the Marseilles owner, has helped expose allegations of referees bribed by prostitutes and money, of telephone taps

and attempted match-fixing. Jesus Gil, president of Atletico Madrid, the third biggest club in Spain but only No 2 in Madrid, threatened to pull his club out of the league in protest at "systematic persecution". In Italy, Juventus, bankrolled by Fiat, spent more than £17m on players in one month to buy supremacy in the Italian league and Europe. Ajax of Amsterdam wants to build a 50,000-seater stadium for £73m and hopes the state will pay nearly 75 per cent of the cost.

There is no reason why 1992 should make the creation of a European super-league necessary or easy, especially as it would have to include teams from non-EC countries for the sake of credibility (Sweden and the Soviet Union, for example).

However, for the vast majority of soccer people, who have not got a clue what a single market means, the magical date 1992 has concentrated their attention on existing trends within the sport. During the last decade, soccer has unearthed rich new seams of cash: sponsorship, advertising, television and executive boxes. This money has been attracted disproportionately to the big clubs and has led to a redistribution of wealth within the game.

Tottenham this season signed a four-year £4m deal with Umbro just to wear Umbro kit. The pattern has been repeated all over Europe. The French Football Federation appointed Darmon as its promotions director in 1982; in the next six years revenue from television and sponsorship rose from less than £2m to nearly £20m. But the key is television. In 1989 the English Football League signed a TV deal worth a minimum of £44m over four years. After 10 top teams, egged on by the TV companies, threatened to break away, it also agreed to increase the share of the money going to first division teams from 50 per cent to 75 per cent.

Television wants the best soccer available. It wants games that involve top clubs. As stations proliferate, so the bidding grows more intense. This season, Aston Villa received £300,000 for its home match against AC Milan in the UEFA cup second round. Villa lost and went out after two pay-days. How much nicer it could

play glamorous European clubs every week. The cash would gush in. There would be no more trips to Wimbledon to scrap it out in front of 5,000 fans on cold wet nights - just the big-time, all the time. The model for many European soccer clubs is the National Football League in the US, seen as the acme of commercial sporting success. European soccer has been cribbing marketing ideas from the Americans for years.

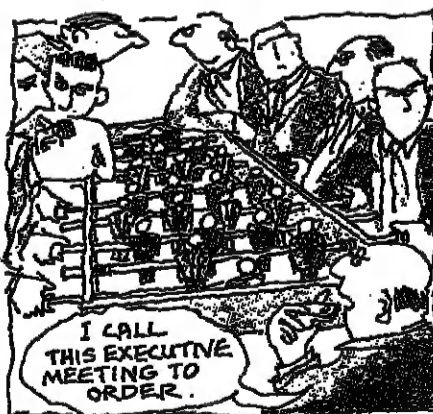
The biggest difference between the NFL (and all North American sporting leagues) and European soccer is that NFL members are franchisees. Access to the league is not by promotion but by purchase. Only the largest cities support more than one franchise, so clubs are free to mop up local broadcasting cash and sponsorship.

The appeal to Europe's top soccer clubs is obvious, and they will watch with interest the launch this spring of the NFL's television-financed World League, which has franchises in London, Barcelona and Frankfurt, and plans by European basketball to launch a super-league by 1992.

The size of a European soccer league would be limited by fears of diluting income and quality. The largest North American league (the NFL) has 28 teams. If the organisers were feeling extremely ambitious, Europe, which supports more than 30 national soccer leagues, could start with 40 franchises.

For England this would translate into four or five Euro-teams - one for each major ITV region and perhaps two in London: one for London Weekend Television, one to play on Mondays for Thames Television, or whatever the companies are called after this year's auction of ITV franchises. The financial pressure on ITV companies after the auction combined with competition from satellite sports channels and the BBC, would foster healthy bidding for local TV rights. The growing rivalry between the European Broadcasting Union and satellite channels would stimulate bidding for an overall contract.

Such a system would mean that Manchester United would be the only team from the north west of England - no place for Everton or Liverpool. (Liverpool,



for all their triumphs, suffer economically and geographically.) United has a larger stadium, draws larger crowds and has a bigger catchment area. North London would be represented by Arsenal or Tottenham, not both. The same principle would apply in Milan and Madrid. This would alienate fans of all those clubs that were excluded - abandoned to stagnate in a national league. But the fact that Liverpool's fans were upset would only increase the pleasure of United's fans as they paid higher prices to see their team; the huge armchair audience would tune in anyway.

There have been mutterings from UEFA about changing its top club competitions into a league format, which is how European basketball's equivalent competitions already work. Undoubtedly national soccer federations would oppose a super-league, and UEFA and FIFA, the governing bodies for European and world soccer, would be back them, but their only sanctions would be to ban super-league teams from their club cups and to ban super-league players from their international competitions.

On the other hand, if you had the 40 top teams and the 800 top players who care? You could create your own competitions, even your own world cup.

This is an extreme scenario, of course, but all the top clubs are planning for it. Many soccer directors are conservative, even sentimental about soccer, but they know that if the Euro-super-league bandwagon does start to roll, they need to be on it rather than under it.

### The money box

Philip Coggan joins the executives

IT WAS a wet, windy and miserable day for watching soccer. But I was among the privileged few, out of the rain and never far from the warmth of an executive box.

Admittedly, the Watford box was not as deluxe as those at Wembley, where it is possible to watch the action without straying outdoors at all. During the Watford game we had to leave the comfort of the box for seats directly outside in the stand.

It was hard not to feel guilty as a sudden, sharp shower drenched supporters at the uncovered Watford end. But my guilt was tempered by the knowledge that I have stood on the concrete with the worst of 'em - being urinated on from above (Queen's Park Rangers), crushed against a metal barrier (Tottenham), drenched to the skin (Wimbledon) and deafened by the shouts of the loudmouth directly behind me (just about everywhere).

Even a seat in the stand is no guarantee of comfort or a good view. At the England-Poland game in October, £15 bought me a Wembley seat in which Colin Moynihan, the diminutive former sports minister, would have felt cramped. The only way I could fit into the space provided was to sit at a 45° angle to the pitch. At last May's Cup Final, watching the game became an extended Jane Fonda workout as the spectators in front of me clambered on and off their seats and I (and those behind me) was forced to follow suit.

So it is hard to see any real alternative to the executive box if soccer wants to tap the lucrative corporate entertainment market. You could hardly invite a business contact to stand on the terraces.

In the right circumstances, a soccer match can be quite an intelligent way of entertaining contacts. Most men (and some women) enjoy watching soccer. Conversation about the game breaks down social barriers. With lunch beforehand (or dinner if it is an evening game), the event can be turned into an occasion.

What is more, with the right contacts you can impress the hell out of those of your guests who are still schoolboys at heart. I have bored my friends to tears recounting how, when entering a box at

Wembley, I was greeted by a familiar figure who said: "Hello, I'm Bobby Moore. Can I get you a drink?" The boxes also have televisions which offer slow motion replays.

A five-seater box at Manchester United cost £5,000 a season. A three-seater box is extra. The charge for an eight-seater box, food included, starts from around £15,000. In the less glamorous surroundings of Luton, boxes for five cost around £3,000, eight-seaters £10,000-£12,000.

The problem for the sport's authorities is balancing the financial realities - football's richest clubs will earn £200,000 this season if it lets its five-seater boxes alone - with the requirements of the ordinary fan. The fear is that soccer could go the way of Wimbledon fortnight, where the average fan tends to be squeezed out.

The golden scenario, as the saying goes, is that a trickle-down will occur with revenue from corporate hospitality being used to improve standards for the average fan. Certainly the gap between executive class and humble spectator will be closed a little if Lord Justice Taylor's recommendations for all-seater stadiums come into force later in the 90s. Any change cannot come too soon.

There was resentment at Tottenham Hotspur when it was proposed to replace part of the old Shell terracing with executive boxes. The change heightened supporters' fears that the club's management was more interested in business than in soccer - ironically, the cost of building the boxes has helped make a mess of club finances.

In the past, the average fan could concentrate his fire on the occupants of the directors' box, easily identifiable because of its halfway-line position. But the poor directors were actually enjoying little in the way of creature comforts; indeed, their prominent position in the ground served merely to identify them for abuse. The proliferation of executive boxes could easily provoke the belief that the directors are aiming purely to please their "fat cat" friends, and lead to an increase in alienation and violence. The trickle-down needs to work.